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POLITICAL ECONOMY

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FOUNDATIONS
OF
POLITICAL ECONOMY

BY
WILLIAM BELL ROBERTSON

AUTHOR OF
"POLITICAL ECONOMY SELECTIONS," ETC.

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London and Felling-on-Tyne
THE WALTER SCOTT PUBLISHING CO., LTD.
NEW YORK: 3 EAST 14TH STREET.
1905.

“England is full of wealth, of multifarious produce, supply for human want in every kind—yet England is dying of inanition. With unabated bounty the land of England blooms and grows; waving with yellow harvests; thick-studded with workshops, industrial implements, with fifteen millions of workers, understood to be the strongest, the cunningest, and the willingest our earth ever had; these men are here, the work they have done, the fruit they have realised is here, abundant, exuberant on every hand of us; and behold some baleful fiat as of Enchantment has gone forth, saying, ‘Touch it not, ye master-workers, ye master-idlers; none of you can touch it, no man of you shall be the better for it; this is enchanted fruit.’”—THOMAS CARLYLE (*Past and Present*).

PREFACE.

IT is hoped that one of the effects of this treatise will be to recall political economy from Saturn and effectually sever from any future connection with it the epithet "dismal." If this be achieved, it is only fair to say that it will have been achieved through a strict adherence to the methods of Adam Smith, Ricardo, Malthus, the Mills, Cairnes—to the methods, in short, of what has been called the orthodox school or classical political economy.

It is fair and almost necessary for me to say this, because at the very outset—in defining wealth and circumscribing the limits of the science—I find myself in disagreement with these great masters. The cleavage continues to the end, too, and is revealed mainly in the analysis of value here given; in the analysis of wages and profits, of which political economy has hitherto been able to satisfactorily explain only how the *rates* have been fixed, without any reference to what may meanwhile

be called the *amounts*; in the distinction drawn between productive and unproductive labour; and in the enlarged significance imported into the population question.

In the Appendix is reproduced, to save it from extinction, a pamphlet on the industrial problem I had published in 1887.

It was my intention to have treated here the subjects of money and rent; these I have had to omit. They are only held over, however, for a subsequent volume. On the subject of money there still remains a great deal for political economy to clear up.

WILLIAM BELL ROBERTSON.

LONDON,

October, 1905.

CONTENTS.

CHAPTER I.

THE SUBJECT-MATTER AND SCOPE OF POLITICAL ECONOMY.

	PAGE
Effect of views of wealth on national policy—Adam Smith's definition—Malthus's definition—M'Culloch's—Karl Marx's—John Stuart Mill's—Ricardo's—Professor Marshall's—Professor Sidgwick on the scope of political economy—Professor Jevons—Wealth an abstract term, not an objective reality—Wealth confused with property—Limitations to the field of economic speculation—What is possible to know of wealth—Archbishop Whately's definition of man—The faculty of exchange—Its importance	I

CHAPTER II.

THEORY OF VALUE—CONDITIONS OF VALUE.

Importance of a correct theory of value—De Quincey on—Mill on—What is required of a theory of value—Usefulness—Its double significance—Conditions of value, desire and possession—"Difficulty of attainment" explanatory of nothing—When articles are free—Meaning of abundance	21
---	----

CHAPTER III.

DETERMINANTS OF VALUE.

Why articles differ in value—Extreme limits of highest and lowest value—Ricardo illogical and self-contradictory—His theory of value untenable—"Natural value" an unsuitable expression—Equivalent value—Effect of competition on exchanges—A "fair" exchange	PAGE 33
---	------------

CHAPTER IV.

QUANTITY OF LABOUR.

Discrepancies in explanations of value as hitherto offered—Scarcity and usefulness inadequate—Why quantity of labour regulates value—Why labour has value—Can have none, according to Ricardo—Worth of an article—Adam Smith on value—Ricardo's criticisms of, not warranted—The position attacked by Ricardo in harmony with his own	45
---	----

CHAPTER V.

DIFFERENTIATION OF VALUE INTO MAINTENANCE
OF EFFICIENCY, WAGES, AND PROFITS.

Value the aim of industry—Allocation of value—Renewal of capital—Only consumers benefit from improvements—Production only a means to an end—Beginning of wages and profits—Capital maintained by the community—Only one restriction to use of property	59
--	----

CHAPTER VI.

WAGE-EARNER'S DIVORCE FROM PRODUCTS—SOURCE
OF HIS WAGES—EXACT POINT OF ECONOMIC
PROGRESS.

How wage-earners lose rights to commodities—Where
wages come from—Beginning of money—A great
convenience to employers—Improvements and in-
crease in population—Value not affected by wages
—Compelling nature of economic progress—Multi-
plication of products and population 71

CHAPTER VII.

ARE THE CONDITIONS OF EXCHANGE VALUE
NECESSARY?

Human desire and value—The doctrine “to each accord-
ing to his needs”—Property—The first seed of
civilisation—Selfishness—Intention of property—
To encourage industry—Society's intentions
thwarted—Property in land—Property not wealth
—Carlyle on the uselessness of our riches 84

CHAPTER VIII.

WAGES AND PROFITS.

Importance of labourer's share of value—*Rate* of wages
—How fixed—When it is high and when low—
What *rate* of wages means—Profits—Senior's
“abstinence”—Mill on—De Quincey on—*Rate* of
profits—No profits of stock in political economy . . . 93

CHAPTER IX.

EFFECT OF DIMINISHED OUTPUT ON WAGES AND PROFITS.

Effect of labour hours on wages and profits— <i>Rate</i> of wages and <i>rate</i> of profits not affected—Total wages and total profits are—Effect of employing more men—Some social and political effects—A sectional eight hours' day—Amongst miners—Effect of on wages—On price—On profits—On rent . . .	PAGE 104
---	-------------

CHAPTER X.

ABRIDGMENTS OF LABOUR A SPUR TO PRODUCTION.

End of production to consume—Carlyle on over-production—The "dismal science"—Malthus, Dr. Chalmers, and Mill on over-production—Converse of over-production—Under-consumption—Naked effect of improvements—Extinction of small industries—Impulse that swept away the Corn Laws—Limit of a nation's market . . .	116
--	-----

CHAPTER XI.

ABRIDGMENTS OF LABOUR A CURE TO CONSUMPTION.

Effect of improvements on wages—How rate would be reduced—Labour's opposition to improvements—Influences leading to their adoption—Effect of improvements on profits—Remarkable increase in productivity of labour—How to compare wages at distant periods—Appalling task of profit-receivers—Genesis of "pushing business"—Significance of	
---	--

CONTENTS.

xi

	PAGE
bankruptcies—An unproductive struggle—Benefits from it—Cause of increased population under adverse conditions	131

CHAPTER XII.

THE POPULATION QUESTION.

Twofold character of the struggle for existence—Unproductive and productive—Magnitude of the unproductive struggle—Meaningless views of nature—Malthus on population—The value to economic science of his speculations—Malthusians—Their limit to population and Malthus's—Its absurdity—The survival of the fittest—An identical statement—What is really meant—The type best fitted under present industrial conditions—Uselessness of legislation—Man's control over his future	145
--	-----

CHAPTER XIII.

KARL MARX ON VALUE.

Karl Marx's view of wealth—His confusing and contradictory statements on value—Marx and Ricardo—Why the value of the means of production affects the value of the product—Not explained by Marx—Usefulness of labour nothing to political economy—Value in political economy no connection with usefulness—Amazing extent of our productive power—No benefit to labour—The economic status of the labourer—Of the employer—Surplus value—Surplus labour—Half-time—Marx's constant and variable capital	158
--	-----

CHAPTER XIV.

A GLANCE AT SOME POPULAR MISCONCEPTIONS.

	PAGE
Effect of price on wages—Effect of wages on price— Conflicting views—Their basis—When a rise in price raises wages—Policy of accepting tenders from “fair” houses only—Vitality of fallacies— When a rise in wages raises price—How far trade unionism keeps up wages—The barristers’ union— Trade unionism and international wages—Unani- mity of labour and capital—The English farmers’ real competitors—Cheapness of foreign commodities —Futility of seeking an international rate of wages	178

CHAPTER XV.

INTERNATIONAL TRADE.

Attitude of political economy to free trade and protec- tion—“Employ British labour”—How the wily foreigner gets our gold!—Low foreign wages?— Why foreign produce is cheap—Our derelict fields —Foreign trade’s resemblance to machinery—When agricultural or any industry needs protection— When not	196
--	-----

CHAPTER XVI.

PROFITS OF INTERNATIONAL COMMERCE.

Different from De Quincey’s “leavings of wages”— Quaint picture from Herodotus—Influences affect- ing early international exchanges—Insufficiency of labour to explain value—Basis of charge against free trade of lessening employment	217
---	-----

CONTENTS.

xiii

CHAPTER XVII.

A FEW GENERAL WORDS.

PAGE

Property foundation of industry—Mill on its apportionment—Christian communism—Defeat of society's intention in instituting property—Mill on result of mechanical inventions—Difficulties in the way of altering present system not greater than difficulties in maintaining it 224

APPENDIX 229

FOUNDATIONS OF POLITICAL ECONOMY.

CHAPTER I.

THE SUBJECT-MATTER AND SCOPE OF POLITICAL ECONOMY.

Effect of views of wealth on national policy—Adam Smith's definition—Malthus's definition—M'Culloch's—Karl Marx's—John Stuart Mill's—Ricardo's—Professor Marshall's—Professor Sidgwick on the scope of political economy—Professor Jevons—Wealth an abstract term, not an objective reality—Wealth confused with property—Limitations to the field of economic speculation—What is possible to know of wealth—Archbishop Whately's definition of man—The faculty of exchange—Its importance.

THERE are few words more familiar than the word "wealth." Everybody uses it, nobody has any doubt as to its meaning. It is in pursuit of wealth that men lay down railways, build ships, perforate mountains, and fill up valleys. Our commercial and agricultural industries, our huge factories rattling with the incessant din of revolving wheels, of looms, of hammers, and of every species of im-

plement, our bustling streets—all these are fields wherein men strive for wealth. It must surely, then, be quite superfluous to tell anybody anything about wealth. So one might think; yet very wide differences of opinion have prevailed and do prevail regarding the nature of this very everyday thing, wealth.

These differences of opinion have given history its direction. The aim of human effort has always been to obtain wealth, or rather to obtain what at any given time is thought to be wealth. This can be easily illustrated from history, for we can see that according to the prevailing meaning of this word so is the policy pursued by any nation.

Thus, if we go back to the time when tribe fought with tribe, when the stronger attacked the weaker and appropriated whatever they wanted, it is easy to see that the community which numbered the most fighting men would be the wealthiest. What would be the best form of property in an age like that? Why, warriors; for what would be the use of any other kind, unless one could hold it? The tribe that possessed the best and most warriors practically possessed everything. In circumstances like these public feeling would incline to favour the procreation of children, and would view the man that reared a large family as a public benefactor. Here population was a source of wealth to the community; the policy of such a community was accordingly to encourage population. This view continued to infect the

laws of this country down to 1834, when Malthus's essay on Population began to take practical effect. Its influence still lingers, for when a woman gives birth to more than two children she receives from the sovereign a bounty of £1 per child—a custom which might very conceivably have had its origin in the belief that to bear children is to contribute to the wealth of the state.

In a later stage of society, we find it very common for people to run into the notion that money is wealth. This notion gave direction to the policy of Spain in America after its discovery. There “the first inquiry of the Spaniards, when they arrived upon any unknown coast, used to be, if there was any gold or silver to be found in the neighbourhood. By the information which they received, they judged whether it was worth while to make a settlement there, or if the country was worth the conquering.”¹ This notion also gave us an intricate system of laws framed for the purpose of favouring the increase of the precious metals in this country. These laws sought to favour the exportation of goods and to discourage their importation. In the words of John Stuart Mill:—“Importation of anything other than the precious metals was regarded as a loss to the nation of the whole price of the things imported; unless they were brought in to be re-exported at a profit, or unless, being the materials or instruments of some industry practised in the country itself, they gave the power of pro-

¹ *Wealth of Nations*: Adam Smith.

ducing exportable articles at smaller cost, and thereby effecting a larger exportation.”¹ The view that holds money and wealth as equivalent is a narrow one, so also is the policy that it gives rise to.

To-day, whatever contributes to human gratification is regarded as wealth. This is a wider view than previous views, and has given rise to a correspondingly wider policy. For one thing it swept away the restraints that formerly impeded our commerce. Even with this wider view of wealth, however, we seem to miss happiness and security—seem to be crushed with over-abundance, for the cry is, strangely, not for commodities but for markets wherein to dispose of our commodities.

These different meanings of the word “wealth” are sufficient to show what was intended when we said that “these differences of opinion”—regarding the nature of wealth—“have given history its direction,” and that “according to the prevailing meaning of this word, so is the policy pursued by any nation.” When the source of wealth was regarded to lie in population, then it was the policy of the nation to stimulate population; when it was regarded to lie in gold and silver, then it was the policy of the nation to accumulate a stock of these metals. Now regarding wealth to consist of all useful and agreeable things, we have acted accord-

¹ Those who ascribe it to free trade as a merit that it enables us to get raw material cheap, and consequently to sell the finished product cheap abroad, would seem to be influenced by that view.

ingly—have thrown our ports and our markets wide open to receive these things. Surely then this wealth is a wonderful thing—if, indeed, it be a thing at all. It is more like a god, compelling men now this way and now that. Perhaps in its lap we shall find the solution of the riddle of the Sphinx.

A few of the definitions of wealth given by political economists must now be noticed. Adam Smith regarded the wealth of a nation as “the annual produce of its land and labour.” But why annual? We have the annual revolution of the earth round the sun, meaning that the earth goes round the sun once a year. The annual produce of the land and labour of a country, therefore, is the produce it derives from its land and labour once a year. Now its annual produce is its daily produce multiplied by 365, or its hourly produce multiplied by 365×24 , just as a man’s age is 50 years or 50×365 days or $50 \times 365 \times 24$ hours. All these are equal. So Adam Smith might just as well have defined a country’s wealth as the average daily produce of its land and labour, or the hourly produce of its land and labour, or, indeed, the minutely progress. No doubt he would have said six-monthly instead of annual if agriculture reaped two harvests in one year.

Knowing the produce, whether daily, annual, or decennial, of different countries, we should not therefrom know their relative wealth. We should know that A’s produce exceeds B’s, or was less

than C's, and so on. But to infer from that that A was wealthier than B and not so wealthy as C, would be as unwarrantable as to infer that, because he could command more of the essentials to health such as food, shelter, etc., the man with £1000 a year was healthier than the man with £100, and less healthy, because he could command less of these essentials, than the man with £10,000.

Malthus objected to "the annual produce of land and labour" as a definition of wealth that it "was not sufficiently discriminate, as it would include all the useless products of the earth, as well as those which are appropriated and enjoyed by man," and put forward as his definition "those *material* objects which are necessary, useful, or agreeable to mankind." M'Culloch came next with a further qualification, holding that wealth consisted of "articles or products *which have exchangeable value*, and are either necessary, useful, or agreeable to man." This qualification excluded such gifts of nature as air and sunshine, which having no exchange value, he considered excluded from the investigations of political economy. There is, however, nothing on earth that may not have exchange value, provided it can be appropriated. Again, by introducing exchange value into a statement of the definition of wealth, M'Culloch is guilty of a logical error; for the student has not yet encountered exchange value, and must therefore be assumed to be ignorant of its nature. Commenting on Adam Smith's definition of

wealth, "the produce of the land and labour of a country," M'Culloch says that a man might sow a field with thistles, and these thistles, though positively injurious, being the produce of the country's land and labour, would thereby have to be reckoned as wealth. He need not have gone out of his way to select the case of a man cultivating the useless products of the earth. A field of wheat would not be wealth to a country if it went to the support of a tyrant and his minions or of an invading army. When Napoleon invaded Russia, the Russians considered themselves to be in pursuit of wealth when they burned Moscow, as their ancestors did when they built it.

"Use-values," says Karl Marx, "constitute the substance of all wealth." Here is repeated the error, committed by M'Culloch, of introducing value as an explanatory term before we know what it is. The expression "use-values" we take to be a compression of the phrase "value in use" which economists introduced in opposition to the phrase "value in exchange." Things such as air and water, though of great use, have no exchange value. They are of great value from a useful point of view, and their having no exchange value showed that usefulness alone was not sufficient to confer exchange value. Value in use is a phrase that would never have been invented but for the ambiguity of the word "value"; so that to perpetuate it as Marx does in defining the subject-matter of political economy shows some lack of

appreciation of the real relationship of the fundamental notions of the science. The question of usefulness does not enter the domain of political economy at all or of any other science. Usefulness means the serving of the purpose, and any science that takes it under its wing will find at the conclusion of its labours that everything is useful and that everything is useless. Thus soil is useful if the purpose in hand be to grow wheat, it is useless to make bread with; bread is useful to satisfy hunger, it is useless as a pillar of support to a bridge; a sovereign is useful in a community where it is accepted as an equivalent for goods, it is useless on a desert island; even rubbish, which is another name for what is useless, and worse as being in the way, is useful and commands a price when it is needed to fill up a hole. Why should political economy be hampered with this chameleon-like attribute that changes with every point of view? "Because useful things constitute wealth," Marx would say, "and political economy is the science of wealth." And, in answer to the question, What is wealth? we are told that it is useful things, which is simply to juggle with terms and get not a step forward.

John Stuart Mill gives as his definition of wealth "all useful or agreeable things that possess exchange value." In illustration of his meaning he supposes air to be scarce and become the property of a few individuals, thus acquiring a high marketable value. "In such a case," he continues, "the

possession of it [air] beyond his own wants would be, to its owner, wealth ; and the general wealth of mankind might at first sight appear to be increased, by what would be so great a calamity to them. The error (*i.e.*, in considering the wealth of mankind to be increased in this way) would lie in not considering, that however rich the possessor of air might become at the expense of the rest of the community, all persons else would be poorer by all that they were compelled to pay for what they had before obtained without payment." Of course, all persons else would be poorer. That, however, would not alter the fact that an addition had been made to the things useful and agreeable that possess exchange value, and an addition to such things evidently, by the definition, would imply an addition to wealth. Whether the wealth of mankind would be increased or not by so great a calamity as that supposed, would, by the definition of wealth Mill gives, depend upon whether there had been an increase of useful and agreeable things possessing exchange value, and not upon whether any man or set of men had been made richer or poorer. Further, if everything were free, if we were supplied with all useful and agreeable things *gratis*, then there would be no useful and agreeable things *possessing exchange value* ; then, according to the definition, we should be absolutely without wealth and wealth would be annihilated ! No wonder political economy has been banished to Saturn.

Ricardo does not commit himself to a formal statement of the meaning of wealth, though in his chapter on "Value and Riches" and elsewhere he evidently considers wealth to be comprised of exchangeable commodities. Professor A. Marshall says that "all wealth consists of things that satisfy wants directly or indirectly." There is a verse in *Hudibras* that gives us a definition with as much science in it as any of those we have considered:—

"For wealth is all things that conduce
To man's destruction or his use :
A standard both to buy and sell
All things from heaven down to hell."

Concerning all such definitions of wealth as state it to consist of commodities, exchangeable or otherwise, the same forcible language that Adam Smith applied to the notion that regarded wealth as equivalent to money may be quoted. "To attempt," he says, "to increase the wealth of any country, either by introducing or by detaining in it an unnecessary quantity of gold and silver, is as absurd as it would be to attempt to increase the good cheer of private families by obliging them to keep an unnecessary number of kitchen utensils." Now, as all commodities are simply instruments like gold and silver, are acquired simply as a means to an end, then their accumulation in unnecessary quantity must be as absurd. Neither money nor kitchen utensils are more a means to certain ends than bread and clothing are to other ends, and to

attempt to increase the wealth of a country—the end and aim of its activity—by an unnecessary quantity of bread and clothing is as absurd as to attempt the same thing by an unnecessary quantity of gold and silver.

Those that have defined wealth as useful and agreeable things possessing exchange value, have also described political economy as being concerned with the laws of the production, accumulation, distribution, and consumption of wealth. "Political economy," says Professor Sidgwick, "is now almost universally understood to be a study or inquiry concerned with the Production, Distribution, and Exchange of Wealth in a society." Amongst the multifarious class of things comprised under wealth—*i.e.*, according to him, all useful and agreeable things possessing exchange value—are beef, bread, paper, everything in short that men make and use. Now into the production, accumulation, and consumption of these all the laws of all the sciences enter. The laws of science are simply the operations of nature interpreted and put into a form suited to human understanding. Now, of all the things that men make and use, what is there that is made or used—produced or consumed—independently of the operations of nature? Thus the laws that govern the production, accumulation, and consumption of bread would seem to be a matter of concern to the agriculturist, the miller, the corn-dealer, and the baker rather than to the political

economist. So with all other useful and agreeable things possessing exchange value; and the laws whereby they are produced, accumulated, and consumed may be left to be looked after by those whose business it is to produce, accumulate, or consume them. These remarks are sufficient to show that the field hitherto allotted to political economy by its professors is simply impossible of occupation.

What can one make of the following riotous announcement? It is from the pen of Professor Jevons, whose disciples are numerous and active. "The present chaotic state of economics," he says, "arises from the confusing together of several branches of knowledge. Subdivision is the remedy. We must distinguish the empirical element from the abstract theory, from the applied theory, and from the more detailed art of finance and administration. Thus will arise various sciences, such as commercial statistics, the mathematical theory of economics, systematic and descriptive economics, economic sociology and fiscal science. There may even be a kind of cross subdivision of the sciences—that is to say, there will be division into branches as regards the subject, and division according to the manner of treating the branch of the subject. The matter may be theoretical, empirical, historical, or practical; the subject may be capital and labour, currency, banking, taxation, land tenure, etc., not to speak of the more fundamental division of the science as it treats of con-

sumption, production, exchange, and distribution of wealth. In fact, the whole subject is so extensive, intricate, and diverse that it is absurd to suppose it can be treated in a single book or in any single manner." What all this means I do not profess to know. When exponents of a science speak in such terms of the field of their investigations, they must not complain if men of affairs turn to some other quarter for guidance and leave them to pursue their airy way.

It now remains for us to seek a definition of wealth that will be free from the faults ascribed to the definitions we have been considering. First, then, let it be observed, wealth is an abstract term.¹ It denotes no objective reality. There is nothing one can lay one's hands upon and say of it "this is wealth." I can point my finger at a horse or a cow and say there is an animal; but I cannot without error, or except as a figure of speech, say of a sovereign, or of a ship, or of a factory, this is

¹ "When we examine an actually existing thing, as a house, a lion, we find that it has many different properties; a house is *high*, it is *long*, it is *broad*, it is either *old* or *new*, and so on. We may look at it, and consider the *height*, without thinking of the length, or the width, or the colour, or the age, or the newness. In so doing we are said to *abstract* the height from the other properties. So, in turn, we might consider the *length* or the *breadth*, each by itself, without expressly thinking of anything else; we should then abstract the length, or the breadth, as the case might be. These words—height, length, breadth, are called abstract nouns.

"Examples of abstract nouns with the old Saxon termination 'th': truth, width, strength, wealth, health, death."—*A Higher English Grammar*: Professor Alexander Bain.

wealth. To possess such things in certain circumstances may make one wealthy, but to call them wealth is as erroneous as to call a horse trotting along in a hansom-cab motion. Were physical science to tell us that motion consisted of horses, trains, motor-cars, wind, wheels, and whatever moved, it would not be guilty of any greater error than the political economy that defines wealth as consisting of the produce of the land and labour of a country or of objects of desire of any kind. The right view of wealth is to regard it as a species of power—viz., the power to satisfy wants or desires or to achieve aims. The wealthy man is the man with power to ward off whatever would interfere with his well-being and to command whatever would enhance it. So the wealthy community is the community able to ward off dangers whether from within or from without, which, of course, it cannot do except through its individual members, who must thus also be wealthy and interested in maintaining the state to which they belong. It is through this latter condition not being realised, that states, after having risen to greatness, or rather so-called greatness, have sunk into oblivion. Thus it is recorded that “when Egypt went down, two per cent. of her population owned ninety-seven per cent. of her wealth”—wealth is the wrong term here: it should be ‘property’—“the people were starving. When Persia went down, one per cent. of her population owned all the land. When Babylon went down, two per cent. of her popula-

tion owned all the wealth"—should be 'property' again.—"When Rome went down, 1,800 men owned all the known world."

The regarding of wealth as power is not altogether new. Hobbes, for instance, called wealth power. Adam Smith, however, denied this, remarking that although a man may have a large fortune, he may not rise to political power, the large fortune only enabling him the more easily perhaps to secure that power. This criticism is quite irrelevant, and is, in fact, self-contradictory; it applies in the first place only to a large fortune and to political power, and in the next place by the statement that such a fortune may assist a man to political or any other kind of power is conceded all that is required—the fortune enables him to achieve his end, is a source of power to him. In Mill's introductory chapters again we find the idea of wealth as power coming up occasionally. Nowhere, however, is wealth formally defined as power to achieve ends, to satisfy wants or desires and its character as an abstraction recognised; nor, what is more important, have these casual statements affected the texture of the subsequent expositions.

Wealth, then, being the power to satisfy desire, to supply wants, to achieve aims, what we require to know first and foremost is how this power is attained and how it may be increased. If a science of wealth fails to enlighten us on these points, then it is little worth the cultivating. Increase of wealth

is here purposely introduced in place of "accumulation"—the usual term. This is because "accumulation" is somewhat associated in the mind with materials, and it is desirable to use every means to destroy the alliance that "wealth" has formed with certain objects. Another phrase that does not seem very suitable in political economy is "consumption of wealth." What indeed that exactly means is not very clear. The idea, of course, under the definitions of wealth we have had to dismiss, was that when a man had eaten his dinner, he had thereby consumed so much wealth, so much of what was useful and possessed exchange value. Now, however, we cannot regard a man who has eaten his dinner as having by that mere act consumed any wealth. He may, on the contrary, have increased wealth, and in the main does so, being thereby rendered stronger and enabled to turn that dinner into a great many dinners. The viands he eats are certainly consumed, just as the coal thrown into the furnace of a steam engine is consumed; but in both cases the object is to attain a greater return. A man may eat a dinner when he does not require it, when in fact he is injured and loses power by so doing. This, however, is a question for those that concern themselves with the principles of health and not for the economist. Instead of political economy having anything to do with the consumption of wealth, it finds something equivalent to this in the *waste* of wealth; a knowledge of which is implied in know-

ledge regarding the increase of wealth, for whoever knows thoroughly how wealth is acquired and increased, will also implicitly know how to prevent its waste.

Another department in the usual expositions of political economy is the "distribution of wealth," or an exposition of the laws whereby wealth is distributed. It is not easy to see clearly what this means. Wealth, as then understood, comprising exchangeable commodities, would be distributed according to the distribution of mankind on the face of the globe; and the methods whereby it would be distributed would depend upon the degree of advancement reached by the distributing agencies or communities. These, however, would seem to be matters of interest to the geographer, to the merchant, and to those engaged in the carrying trade. The highly complicated and fascinating phenomenon of exchange, which is treated in this department of distribution, is exchange and not distribution. No one thinks of distributing wealth. Even those that distribute commodities think only of acquiring wealth. As well as discarding the definitions of wealth hitherto laid down, we must thus also discard the views hitherto held as to the scope of political economy. Let any one ask himself what he wishes to know about wealth, about the power to satisfy his wants or desires, to achieve his aims. He will find that he simply wishes to know how that power is acquired, how it is increased, and how it may not

be lost. More than this it is unnecessary and impossible to know about wealth.

In taking a survey of mankind, we find that under some conditions they are wealthier, have more power to satisfy their wants and to ward off dangers, than under other conditions. Broadly speaking, to introduce a term in common use, we find communities to be wealthier the farther along the road of civilisation they have travelled. Now what is there in this that is called civilisation that leads to the acquisition of wealth? How is it that men, all experiencing the same wants and all requiring the same things to satisfy these wants, are yet able to live together in communities? How is it that they are enabled to assist one another, and that each by assisting another assists himself? It is no answer to say that a herd of cows or a flock of sheep live amicably together in the same field. Each individual cow or sheep in the field is entirely for itself, and by how much it eats by so much does it diminish the supply for the others. Each individual in a human community, on the other hand, may work as exclusively for himself as any cow or sheep, and yet he may, at the same time, assist his fellows. This is due entirely to a faculty exhibited nowhere in creation except amongst human beings—*the faculty of exchange*.

Archbishop Whately truly observes "man might be defined, 'An animal that makes exchanges'; no other, even of those animals which in other

points make the nearest approach to rationality, having, to all appearance, the least notion of bartering, or in any way exchanging one thing for another." Before him, Adam Smith, describing the division of labour as the necessary consequence of a certain propensity in human nature "to truck, barter, and exchange one thing for another," pointed out that this propensity, as he called it, though common to men, was "to be found in no other race of animals, which seem to know neither this nor any other species of contract. Two greyhounds in running down the same hare, have sometimes the appearance of acting in some sort of concert. Each turns her towards his companion, or endeavours to intercept her when his companion turns her towards himself. This, however, is not the effect of any contract, but of the accidental concurrence of their passions in the same object at that particular time. Nobody ever saw a dog make a fair and deliberate exchange of one bone for another with another dog. Nobody ever saw one animal by its features and natural cries signify to another, this is mine, that is yours; I am willing to give this for that."

This faculty of exchange is what enables man to do what no other can—viz., work for himself, and yet, by so doing, work for the rest of the community of which he may be a member. It is this that marks the civilised man off from the purely uncivilised man—if there be such a being. This is the great civiliser, and the man that first said,

“ I will give you this that you want, if you will give me that, that I want,” was the man that sowed the first seed of civilisation. This is the prime condition of all human progress, the great augments of wealth. This, then, is the first idea for us to understand in our search for the laws of the increase of wealth ; and as soon as we begin to examine the phenomenon of exchange, the *sine quâ non* of wealth, we are immediately confronted with the problems associated with the notion of value.

CHAPTER II.

THEORY OF VALUE—CONDITIONS OF VALUE.

Importance of a correct theory of value—De Quincey on—
Mill on—What is required of a theory of value—Use-
fulness—Its double significance—Conditions of value,
desire and possession—"Difficulty of attainment" ex-
planatory of nothing—When articles are free—Meaning
of abundance.

So important is the theory of value in political economy that the capacity of any one to solve economic problems is limited by his grasp of that theory. Given an imperfect theory of value, an imperfect superstructure will be the result. "He who has fully mastered the doctrine of value is already a good political economist," said De Quincey. That, in assigning to the idea of value so high a position, we are not exaggerating is also borne out by John Stuart Mill, when he says: "The smallest error on that subject [value] infects with corresponding error all our other conclusions; and anything vague or misty in our conception of it, creates confusion and uncertainty in everything else. Happily there is nothing in the laws of value which remains for the present or any future

writer to clear up; the theory of the subject is complete." Though Mill thus correctly appreciated the importance of clear views on value, we shall have occasion, later on, to question the clearness of his own views and his statement that nothing remains to be cleared up on the subject.

There are two distinct things that a theory of value should explain. It should explain why certain objects have value or the power of securing other objects in exchange, while others have not this power; and it should explain what this power is regulated by, or what determines the proportions that things are exchanged for one another in. It should, in other words, set forth what may be called the Conditions of Value; and it should set forth what may be called the Determinants of Value.

Frequently quoted instances of objects without exchange value are water and air: why should they lack the power of purchasing or being exchanged for other articles, while food and clothing possess this power? Again, half-an-ounce of gold will exchange for as much as two tons of coal; why this difference, why should the power enjoyed by gold to secure other articles be so much greater than the power enjoyed by coal? Why some articles possess exchange value and others not; and why given quantities of those articles that possess exchange value possess it in such varying degrees, are the broad questions that the theory of value should explain.

In seeking an answer to the first of these questions, in seeking, *i.e.*, the Conditions of Value, we shall, first of all, traverse the ground laid down by former economists. There is no difficulty, they say, in realising that one of the conditions necessary to exchange value is usefulness. Unless an article be useful or contribute in some way to human gratification, no one will give anything for such an article. A moment's reflection must make this apparent to every one. To give anything for an article that contributed in no way to our gratification would be equivalent to giving something for nothing. It is not an objection to usefulness as a condition of exchange value, to say that a useless ornament may exchange for £100. The mere fact that a purchaser is found for that ornament proves that it is not useless. It may be useless to some, but to that purchaser it contributes gratification, and is to that extent useful. The reason that usefulness operates in conferring exchange value upon articles is that only useful things become objects of human desire. It is impossible for a perfectly useless article—if such a thing exists—to become an object of desire. The mere fact that an object is desired is sufficient to establish its usefulness; for, even if it possessed no other quality, it becomes useful to satisfy the desire it has awakened.

Suppose some waste product that to-day, from our ignorance of its properties or some other cause, is perfectly useless—worse than useless as entailing

a great deal of trouble to get it out of the way; to-morrow, however, that product becomes useful through some scientific discovery as to its properties or through some change of fashion or taste. What happens? That hitherto useless product through becoming useful becomes immediately an object of desire. It will thus acquire usefulness in a double sense. It becomes useful through its properties for certain practical purposes—this is the kind of usefulness that we all know and understand;—it also, if we are to be allowed to follow the distinction drawn by economists to its logical conclusion, becomes useful, through becoming an object of desire, for the purpose of satisfying the desire it has awakened. Now, which of these two senses of usefulness is political economy to take? It cannot have both, though unfortunately it has taken both. It is evidently not upon the inherent properties of articles that the usefulness which gives them exchange value depends. We are not moved by the inherent properties of articles; we are moved by states of mind. True, the properties of surrounding objects affect these states of mind, but such inquiries are physiological or psychological—not economic. We are contemplating the phenomenon of exchange value, which is not a property of matter. It is a property that is super-induced through human action and through human action alone. Nowhere in the universe do we find objects with exchange value except amongst human beings, and amongst them no object has

exchange value unless it is an object of human desire. Let any article become an object of desire, it immediately becomes useful from the political economist's point of view and enters into possession of one of the conditions of exchange value; let it cease to be an object of desire, it immediately ceases to be useful from the economist's point of view and loses an essential condition of exchange value.

But what is gained by straining these good terms "usefulness" and "utility" to this extent? Not only is nothing gained; their employment, on the contrary, lands the economist at the very outset of his investigations into sophistry. "Here, for instance," says the moralist to whom the terms usefulness and utility suggest a distinctive meaning—"here are diamonds and jewellery possessing in a very high degree your economic property of exchange value. You say that usefulness or utility is a condition of that property. I deny that these diamonds and jewellery are in any way useful. They neither quench my thirst, nor satisfy my hunger, nor afford me warmth when I am cold. If all the diamonds and jewellery in the world were annihilated to-morrow, the human race would be not one whit poorer. Indeed, so far are they from being useful, they are positively worse than useless; they pander to the gratification of human vanity, and so effect harm rather than good—an effect this that no useful article has. Besides, in their preparation much labour is wasted that

might otherwise be diverted to the production of useful things. How, then, can you say, in the face of useless and pernicious articles like these possessing exchange value, that usefulness is a condition of that value?"

To this the economist replies that the moralist's ideas of usefulness are too narrow; that it does not matter what effect an article may have—it may ruin a nation, it may ruin the human race,—the mere fact that it is desired makes it useful, for it immediately becomes useful to satisfy that desire. Here, then, the economist, ere he has scarce begun to handle his science, is landed into one of those vicious circles that mar nearly every page of economic speculation. Mark his progress up to this point. He first of all lays down as a condition of exchange value usefulness, because no one will desire to acquire an object that is useless, and what no one desires to acquire will clearly exchange for nothing. The desire in this case is awakened by the usefulness of the object—is due to that usefulness. In the case of the diamonds and jewellery, on the other hand, the usefulness comes after the desire—is due to the desire. How can the two statements, that usefulness creates the desire and that desire creates usefulness, be true? One or other of them must be false; that is a question for moral, and not economic, science to decide.

It is apparent, then, that the essential feature common to articles which possess exchange value is, not usefulness or utility, but the fact that they are

desired. It is, therefore, not economically correct to say that the usefulness or utility of objects is a condition of their having exchange value; it is, however, economically correct to say that to have exchange value objects must be desired. It matters not what the inherent properties of an article may be, the mere fact that that article is desired brings it under a condition necessary to exchange value. This is easily comprehended; because when a man is said to desire anything, it is implied that he is willing to forgo something to secure that thing. Let an object of greater usefulness than the world yet knows be found out; if no one desires that object, however great its usefulness may be, it will not fetch anything in exchange. Let, on the other hand, an article of unexampled uselessness be brought forward, and let that article become an object of desire, it may become endowed with exchange value. The first condition, then, necessary to exchange value is desire, and according to the strength of the desire for an article so may that article's power in exchange become.

Though desire be thus a necessary condition to exchange value, there is another equally necessary condition. That other is said to be "difficulty of attainment." Water and air are examples of desirable objects—so desirable as to be necessary, more urgently necessary than anything else, to human life; yet usually they have no exchange value. The reason hitherto given by economists for this is that no difficulty is involved in attaining them.

They are so abundant, it is said, that they are free. There is no difficulty involved in attaining them, and that is the reason, political economy has taught us, that they possess no exchange value. This is quite true, but of what use is the statement? Difficulty of attainment is a vague phrase, and is unfortunately so far very much in keeping with economic speculation generally. There is something suspiciously suggestive of what logicians call the identical proposition about the explanation that exchange value depends upon difficulty of attainment. We purposely repeat the phrase. When it is said that an article has no exchange value, the meaning is that that article can be had for nothing, that no difficulty is involved in procuring it. To say, then, that an article has exchange value when it cannot be had for nothing, when to procure it involves difficulty, is equivalent to saying that an article has exchange value when it has exchange value, and this, of course, explains nothing. The exchanging power of an article that fetches a sovereign is twenty times greater than the exchanging power of an article that fetches a shilling, and the meaning of that is that it is twenty times more difficult to attain. The exchanging power of an article is the measure of the difficulty of attaining it.

Let us imagine the case of a squatter in a new territory. Not only is the air and the water of that territory free to the squatter, but everything else. He is free to take from the stream fish, from

the bushes berries, from the woods fuel. He is free to shoot the rabbits and the hares and the pheasants and the partridges and the pigeons, and from the results of his day's shooting or fishing or any other kind of exertion he can prepare his evening meal. The reason that he is able to do all this at his own sweet will, it must be apparent, is that he is in no-man's land; nothing there has been appropriated, nothing has any exchange value, though every useful thing that he acquires may be difficult enough of attainment. The reason that, if he chooses to undergo the exertion of stretching forth his hand, he can gather and enjoy abundance of luscious fruit, is that that fruit belongs to nobody. That is why the bounties of nature are free—or, rather, comparatively free, for he has to undergo some exertion, and mayhap a great deal—to that squatter. None of the produce of that territory would possess exchange value, because none of it had been appropriated. Any number of squatters might be there; yet unless some of them, or all of them, each appropriated a share of the produce of that territory, none of that produce could possess exchange value. How is it possible for an article to have exchange value unless it belong to somebody? No one can give anything for an article that does not belong to some one else. Who is he to give to? Such articles, then, as are desired, and are free, having no exchange value, are so because they belong to nobody, because they are not possessed or appropriated. Thus an essential con-

dition of exchange value is possession. It matters not what the difficulties encountered in obtaining an article may have been; if the man who has acquired it throw it away, it will have no exchange value. The moment, however, some one finds it and enters into possession of it, from that moment, if it be a desired article, it takes on the attribute of exchange value.

Air is free not because of its abundance, but because it belongs to no one, or rather, perhaps, because it belongs to every one; and it belongs to no one, not because of its abundance, but because it has not been appropriated; and it has not been appropriated because of the way in which it is distributed over the globe, whereby its appropriation is rendered impossible. Air is not more abundant than anything else. The world is a unit, and to say of any part that it is more abundant than another is as misleading as it would be to say that hands are more abundant than mouths. There are two hands for every mouth usually. But to say, therefore, of hands that they are more abundant than mouths, as if Nature had been more generous to us in the matter of hands than of mouths, is to misconceive the true relation of things altogether, and would lead to the conclusion that Nature is kinder to the monstrosity whom she endows with three legs or two mouths than to the normal man. In the same way as air is free, water is free, and has no exchange value, only when it has not been appropriated. When it becomes

appropriated, however, it acquires exchanging power, as in the case of water supplied to towns. It is no objection to our present contention to say that water supplied to towns commands a price because labour or money has been expended in the building of aqueducts and reservoirs to conduct and regulate these supplies. We admit all that, and we admit further that that expenditure has an effect upon the exchange value of the water. At the same time it must be apparent that, no matter what the expenditure, the moment that the rights of ownership in these water supplies are relinquished, from that moment the exchange value of that water disappears, only to appear again when these rights are resumed by the original owners or others. Besides desire, then, the other essential condition of exchange value is possession.

We have now pretty clearly—at least, it is so hoped—distinguished the kind of objects that have exchange value. These objects may be described as all possessions that one or more persons, not the possessors, desire. Objects that have no exchange value are objects that are not possessed, or, being possessed, are not desired by any one not the possessor. Objects may be desired and yet have no exchange value because they are not possessed; objects may, moreover, be possessed and yet have no exchange value because no non-possessor of them desires them. These two conditions must be present; and being present, in the case of any article, exchange value must supervene.

We have thus only got the length of ascertaining the conditions of exchange value, of answering the first of the two broad questions—viz., why some articles possess exchange value and others not—that we laid down as requiring a theory of value to answer; yet we have had occasion to modify in each particular the accepted explanation—this, too, in the face of Mill's remark that "happily there is nothing in the laws of value which remains for the present or any future writer to clear up." Instead of being the usefulness of commodities and the difficulty of attaining them, we have shown the conditions of value to be a desire for them and ownership of them. That these are not trifling changes will appear more and more as we proceed.

CHAPTER III.

DETERMINANTS OF VALUE.

Why articles differ in value—Extreme limits of highest and lowest value—Ricardo illogical and self-contradictory—His theory of value untenable—"Natural value" an unsuitable expression—Equivalent value—Effect of competition on exchanges—A "fair" exchange.

WE come now to the second of the broad questions that a theory of value must explain—viz., why articles should have the power of exchange in such different degrees. Why should iron or coal or wheat or cloth not exchange weight for weight with gold? Why should cabbages be a penny a pound or apples threepence, while a pound of beef or mutton is twelve-pennies? Why should a coat cost two guineas, and not three, four, or any other number of guineas? Why should a coat have three times the exchange value of a pair of boots or forty times the exchange value of a pair of stockings? Are all these innumerable gradations of exchanging power merely whimsical, the result of chance, or are they the result of ascertainable and definable causes?

Every exchange, of course, pre-supposes at least

two persons and at least two articles or kinds of articles. It also pre-supposes that each of these two persons has what the other wants. B has boots which H wants, and H has hats which B wants.¹ Playing upon the boots and the hats are the essential conditions of exchange value—they are desired and they are possessed. Now, what will fix the rate at which they will be exchanged? B, if he be actuated by ordinary human motives—and political economy has regard to ordinary human motives only—will strive to get for his boots as much as he can from H; and H will strive to get as much as he can from B. The utmost that B will be able to get from H will be limited by H's desire or need for boots; and the utmost that H will be able to get from B will be limited by B's desire for hats. If H's desire for boots be strong, B may be able to get half-a-dozen, a dozen, or even two dozen hats from H for a pair of boots. If, on the contrary, B's desire for hats be strong, then H may be able to get from B half-a-dozen, a dozen, two dozen, or more pairs of boots for one hat.

Thus in the relative strength of the needs of B and H—the one for hats and the other for boots—is fixed the highest and the lowest limits of the exchanging power of hats for boots, and of boots for hats. If H's desire for boots be strong compared with B's desire for hats, then the

¹ It may ease the strain on the attention in reading this and the next paragraph to note that B is the initial letter of bootmaker and H of hatter.

exchanging power of boots will go up; but corresponding to the rise in the exchanging power of boots, and *pari passu* with it, a fall takes place in the exchanging powers of hats, and so the maximum exchange power of boots is fixed by the same agency as fixes the minimum exchange power of hats. If, again, B's desire for hats be strong compared with H's desire for boots, the exchanging power of hats will then go up, and of boots down; and, as before, the agency that fixes the maximum exchange power of the hats fixes also the minimum exchange power of the boots. H's desire for boots, be it strong or weak, at once fixes the lowest exchange value of his hats and the highest exchange value of B's boots—the stronger that desire, the more hats will he be willing to give to gratify it, and consequently the lower will he be willing to reduce the exchange value of hats and the higher to raise the exchange value of boots. Similarly, B's desire for hats at once fixes the lowest exchange value of his boots and the highest exchange value of H's hats. Let H's whole stock of hats be 100; his need for boots might be so great as to induce him to give his 100 hats for a pair. In this case boots would have gone up to their highest exchange value in the circumstances supposed, and hats would have gone down to their lowest—boots would be very dear, hats very cheap. In the contrary case, with B so much in need of a hat as to be willing to do all in his power to secure a hat, we might have one hat exchanging for

100 pairs of boots, hats being made thus very dear and boots very cheap.

The limits thus fixed in the first instance to the highest and lowest exchange value of a commodity are very wide apart; so wide, indeed, that if the needs of the opposing parties to an exchange were unchecked in their operation, then such transactions would be of a very tedious and protracted character. Every time an exchange would be preceded by an interminable higgling, and there would, of course, be no such thing as market rates of exchange or prices. Though the needs or desires of the parties to an exchange are ordinarily inoperative, inert, they are never absent, and appear at once in exceptional circumstances. The suffocating victims of the Black Hole of Calcutta would, impelled by their desire for fresh air, have given all their possessions for such. A drowning man would give the same for a plank. A starving man's desire for food would drive him to act similarly. In an exchange, then, the values of the commodities exchanged are fixed by the needs of the persons making the exchange, within, of course, the limits of the power of the person whose need is the greatest; for no matter how strong a person's need may be, he cannot give more than he possesses to have it satisfied.

Here it is necessary for us to point out wherein we again differ from the accepted doctrines of political economy. We take Ricardo, since whom no man has made any essential change in the

science, and regarding whom Alfred Marshall, the eminent Professor of Political Economy at Cambridge, justly observes, "The foundations of the theory as they were left by Ricardo remain intact." Ricardo, then, says:—"Possessing utility, commodities derive their exchangeable value from two sources: from their scarcity, and from the quantity of labour required to obtain them." Omitting the obvious criticism that the use of the term "utility" and the omission of the essential condition of ownership might evoke, as the reader who has so far followed us will be easily able to divine that unaided, we wish to draw attention to the illogical arrangement of the above sentence, which is also self-contradictory. Given commodities possessing the conditions of value, the degree of that value, the proportions in which these commodities will be exchanged, Ricardo says, will depend upon two circumstances—the "scarcity" of the commodities and the "quantity of labour" required to obtain them. "Scarcity" and "quantity of labour" are given as co-ordinate and independent conditions; each working independently of the other—"scarcity" determining the value of one set of commodities, "quantity of labour" of another set. "Scarcity" is dragged in to explain a group of exceptions, at once a sign of weakness, the exceptions specified being "some rare statues and pictures, scarce books and coins, wines of a peculiar quality which can be made only from grapes grown on a particular soil, of

which there is a very limited quantity. Their value is wholly independent of the quantity of labour originally necessary to produce them, and varies with the varying wealth and inclinations of those who are desirous to possess them." Ricardo thus gets into a muddle at once through placing on the same plane independent determinants of value. He thereby gives really two theories—one theory that value is derived from "scarcity," another that it is derived from "quantity of labour." This is not all, however; he contradicts himself with the same dip of his pen. He begins by telling us that the exchange value of such commodities as he specifies is fixed by their "scarcity," and ends by telling us that it "varies with the varying wealth and inclinations of those who are desirous to possess them." If "scarcity" fixes the value, then value will vary with the scarcity. If value "varies with the varying wealth and inclinations of those who are desirous to possess," then the value cannot be fixed by "scarcity," but by the varying wealth and inclinations of those desirous of possessing. He thus really gives us in one sentence three separate explanations of the differences in value of different objects.

The proportion in which commodities exchange for one another is determined by the relative quantities of labour bestowed upon their production. This is the recognised Ricardian theory of value, and the theory he developed and applied. A pair of boots, for instance, exchanges

for two hats, because the same quantity of labour that produces a pair of boots produces two hats. This theory breaks down, as Ricardo saw, in the case of rare statues, pictures, books, coins, wines, etc., and so he illogically introduced another theory to explain these exceptions. He ought to have remembered that scarcity may operate on everything—a drought may make water scarce, food may be scarce, coal, houses, anything, in short; and then these commodities might attain to an exchange value “wholly independent of the quantity of labour” bestowed upon them. If the theory of gravitation did not harmonise with the fact that dust, feathers, balloons, and other objects of extreme levity rose from the earth’s centre, it would be a very unscientific method to pursue to bring in another and a distinct theory to account for these exceptions. To bring in subsidiary conditions operating upon and modifying the effects of the general law is legitimate enough; not so, however, to set up two theories side by side. In so doing Ricardo is not a whit less illogical or evasive than a teacher who, when it suited the purposes of explanation, should proceed upon the theory that the earth was flat, returning to the correct theory when his difficulties were over.

We have seen what fixes the extreme limits of exchange value. We supposed only two persons, B and H, and only two commodities, boots and hats, and showed in operation the first influences determining the rates at which commodities will

exchange. B had an absolute monopoly of boots and H was consequently at the mercy of B's desire for hats when he sought to make an exchange for boots. H had an absolute monopoly of hats, and B was similarly at the mercy of H's desire for boots when he sought to get a hat. Suppose now that H had access to 100 bootmakers, instead of to only B, he would no longer be at the mercy of B's desire for hats. Amongst the 100 bootmakers he would deal with the one that most desired hats. So, if there were 100 hatters, the bootmaker wanting a hat would seek out the hatter that most desired boots. This multiplication of bootmakers and hatters, it is evident, would tend to bring the rate of exchange of boots and hats to a point between the extreme limits that we showed might be touched when B and H were absolute monopolists. The exchanges made would become what may be called fairer. Suppose that the bootmakers and the hatters were multiplied many thousandfold, the exchanges would evidently become fairer still. The bootmaker that wanted a hat would then be likely to find a hatter who was in need of boots to the same extent as he himself was in need of hats. The one's desire for hats being equal to the other's for boots, a perfectly fair or even exchange might take place. What would take place in a perfectly fair or even exchange?

It is evident that this conflict of desires would tend to bring the rate of exchange to some

point between the limits we have pointed out as possible, at which the hatters would not have the advantage of the bootmakers, nor the bootmakers of the hatters. Now, what is the point of equilibrium? Evidently the point at which equal quantities of labour were exchanged. What takes place, therefore, in what we have called a perfectly fair exchange, is that equal quantities of labour are exchanged. If equal quantities of labour were not exchanged, then one side or the other would be securing an advantage—either bootmaking would be more profitable than hatmaking or *vice versâ*. But this position could have no permanence, for the more profitable employment would be the more attractive. Thus, if bootmaking were more profitable than hatmaking, men would become bootmakers rather than hatters. Boots would be made in greater quantities and hats in less, and it would become easier to find a bootmaker desiring a hat than to find a hatter desiring a boot. The difficulties of the bootmakers in finding hatters to take their boots would drive them to offer their boots on more tempting terms—in other words, to reduce their exchange value. Thus the point of equilibrium, the point at which exchange rates of commodities tends to settle is the point at which are exchanged equal quantities of labour. When a commodity is exchanged or sold for another commodity on which has been bestowed the same quantity of labour, that commodity has been exchanged or sold at what has been called its *natural*

value or *natural* price. As everything in this world is natural—the unusual being called *unnatural* only by a figure of speech—we shall substitute for natural value the expression *equivalent* value, commodities at that value being exchanged for their equivalents.

With regard to competition, this is a suitable place to comment on it. We have seen it at work, though the term has not yet been introduced. It has the reputation of cutting down prices. We have seen it, however, only preventing such uneven, or one-sided, exchanges as were possible between absolute monopolists like B and H. When B received from H 100 hats for a pair of boots—the *absence* of competition reduced the price of H's hats just as much as it raised the price of B's boots. After the introduction of competition, when B could get only two hats from H for a pair of boots, B might think that competition had cut down prices, but H would be equally right in thinking that competition had *raised* prices. Before, the price of H's 100 hats was one pair of boots, now the price of 100 hats is 50 pairs of boots. Competition has *raised* the price of hats fifty times. Of course, it has at the same time and to the same extent lowered the price of boots. It is a mistake, then, to say of competition that it lowers prices, or, what we may just now regard as the same thing, exchange value. It regulates prices, if you like, regulates the rates at which commodities are exchanged for one another; and,

when theoretically perfect, makes the rates of exchange conform to the quantities of labour bestowed upon the commodities exchanged, so that the results of a given quantity of labour are exchanged for the results of a similar quantity. It confers, in other words, upon every commodity its equivalent value. Competition is thus a most desirable condition, and everything that tends to make it keen, to make it instantly and universally operative, to make it ideally perfect, is a distinct gain.

Another term that may profitably be commented on is the term "fair." We have spoken of an exchange, in which the results of equal quantities of labour are exchanged, as a "fair" exchange. Fair is not an economic term; the idea it conveys has no place in political economy. We introduced it simply to aid and give colour to the exposition. When B was the only bootmaker and had to be tempted by H with 100 hats ere he would relinquish to the latter a pair of boots, the exchange of 100 hats for a pair of boots, though it was perhaps the exchange of the result of 50 days' labour for the result of only one, was just as fair as when later two hats were exchanged for a pair of boots. It would have been unfair if B had knocked H down and robbed him of his hats. Of such proceedings as this, however, political economy has no cognisance. If B compelled H, or rather if H's own need for boots compelled H himself, to give B 100 hats for a pair of boots one day, B is doing no

more than H will do to him in the hour of his need. A pair of boots is worth 100 hats to H, else H would not give the 100 hats for them. Similarly, when H had the advantage of B and refused to him a hat except at an exorbitant price—say for 25 pairs of boots, the exchange was perfectly fair; the hat, in B's estimation, must have been worth that number of boots to him, else he would not have given them for it.

CHAPTER IV.

QUANTITY OF LABOUR.

Discrepancies in explanations of value as hitherto offered—
Scarcity and usefulness inadequate—Why quantity of
labour regulates value—Why labour has value—Can
have none, according to Ricardo—Worth of an article—
Adam Smith on value—Ricardo's criticisms of not
warranted—The position attacked by Ricardo in har-
mony with his own.

AT this stage we may profitably take stock of our position. The ordinarily accepted theory of value is beset, as we have seen, with difficulties from start to finish. By imposing usefulness or utility as a condition of value, it has to give to these terms a strained meaning which not only jars with the idea they usually convey but also leads us to reason in a circle—viz., to attribute to desire the usefulness that confers value after having attributed the desire to usefulness. By imposing difficulty of attainment as the other condition of value, it explains nothing—the mere fact of a thing possessing exchange value carrying with it the fact that its attainment is more or less difficult, that it cannot be had for nothing. All these difficulties and dis-

crepancies vanish, however, when we accept as the conditions of value that a thing must be possessed and must be desired by a non-possessor. Not only, however, do these conditions explain the fact of exchange value, they also explain why commodities exhibit it in such varying degrees.

Take possession—the more absolute the possession, as when B was the monopolist of boots and H of hats, the higher may the exchange value of the commodity possessed rise. Similarly, the stronger the desire of non-possessors for an article, the higher again may its value rise; and the weaker the desire the less will its value rise. Competition intervening, absolute possession is modified, and when that competition is perfected it makes the exchange value of commodities conform to the respective quantities of labour bestowed upon their production. Thus the more pronounced the presence of the conditions of value—desire and possession—in the case of any commodity, the more pronounced is the value of the commodity; and the less pronounced the conditions, the less the value. Let possession be signified by P and desire by D; then value varies as $P \cdot D$. It is in accordance with all manifestations for the effect to be proportioned to the cause—the bursting of a reservoir will lead to the flooding of a town, the breaking of a cup full of water will not lay the dust on a foot of the earth's surface. If utility were the cause of exchange value, we should expect value to rise and fall according to the utility. So far,

however, is this from being the case that the things which are most used are generally the cheapest. The intimate connection between possession and desire, on the one hand, and exchange value on the other, is seen in the fact that the latter varies with the former as effect varies with cause.

When the quantity of labour bestowed upon the production of an article is laid down as fixing the exchanging power of that article, we are immediately confronted with a group of articles whose exchanging power is admittedly not so fixed. This group includes rare objects whose value "in no way conforms to the quantity of labour bestowed upon their production." To account for these exceptions—which, by the way, have gone to prove our rule—another and an independent theory is advanced. Their exchanging power is determined by their scarcity, it is said. Thus we have in the category of things that possess exchange value—useful things which are scarce and useful things which require labour to produce them; from which it is correct to infer that outside the category of things which possess exchange value are useful things that are not scarce and useful things that require no labour for their production. There are, however, plenty of useful things which cannot be called scarce by any means and that yet possess exchange value—even when they are said to be over-abundant—*e.g.* corn, beef, cloth, etc. There are also plenty of useful things that require no labour for their production and yet acquire exchanging power simply

on being appropriated. No one will deny that land is useful, and no one can say that it requires labour for its production. In its wild, uncultivated state even, a piece of land that has merely been appropriated, and that the appropriator may not have driven so much as a stake into, may have very high exchange value.

From all these difficulties and entanglements the view we are contending for sets the theory of value free. We have now to examine a little more closely the phrase "quantity of labour." "In speaking," says Ricardo, "of labour, as being the foundation of all value,¹ and the relative quantity of labour as determining the value of commodities, I must not be supposed to be inattentive to the different qualities of labour, and the difficulty of comparing an hour's or a day's labour, in one employment, with the same duration of labour in another. The estimation in which different qualities of labour are held comes soon to be adjusted in the market with sufficient precision for all practical purposes, and depends much on the comparative skill of the labourer and intensity of the labour performed. . . . If a day's labour of a working jeweller be more valuable than a day's labour of a common labourer, it has long ago been adjusted, and placed in its proper position in the scale of value."

¹ "*All* value," and yet he had just been telling us that the value of rare objects is wholly independent of the labour bestowed on them.

The value of commodities conforms to the labour bestowed upon their production not because labour is the foundation of value—men often labour in vain,—but because if commodities involving more labour be asked in exchange, the producers of these latter commodities will find it easier to produce the over-estimated commodities direct. No one will continue to give a commodity that has cost him a certain quantity of labour and discomfort for a commodity that he can himself produce with less labour and discomfort. Just as physical forces follow the line of least resistance, so does man in the pursuit of his aims follow the easiest and most agreeable course open to him. Labour must always be taken to embrace not merely the exercise of working but the whole sacrifice involved. The fisherman's toil may be so much more arduous, exacting, disagreeable, and dangerous than the baker's that in eight hours he expends as much labour as the latter does in ten. In such case the equivalent value of the produce of the fisherman's eight hours will be the produce of the baker's ten hours. Political economy has no cognisance of time. Quantity of labour does not mean one hour's work or any other number of hours' work. If all men were equally effective, it might be physiologically measured by what had gone out of a man. In political economy its measure and expression is its equivalent value. In the same way the outward and visible sign of a man's desire for an object is the quantity of

labour or the sacrifice he undergoes to acquire that object.

In the material world the weight of objects is in proportion to their mass. We do not, therefore, say that mass is the cause of weight. That is due to gravity. So, though the value of commodities is proportioned to the labour bestowed upon them, we are not therefore entitled to say that labour is the cause of value. If labour were "the foundation of all value," as Ricardo says, and its original source and cause, then the cause being present, we should invariably have the effect. Thus so long as a man labours he will produce value. This, however, is not so; for unless he labour to produce what is required, what is wanted or desired by some one else, the result of his labours will have no exchange value.

Again, Ricardo speaks of "a day's labour of a working jeweller" as "more *valuable* than a day's labour of a common labourer"; and again, in driving at Adam Smith for attributing value not to "the quantity of labour bestowed upon the production of any object, but the quantity which it can command in the market," he asks: "Is not *the value of labour* equally variable" with corn? "being not only affected, as all other things are, by the proportion between the supply and demand . . . but also by the varying price of food and other necessaries." What in Ricardo's mouth can the *value* of labour mean? If labour be the original source and cause of value, how can labour itself

acquire value; from what source can its value derive? Gravity is the cause of weight, but gravity itself has no weight. If it had, then something else behind it must be the cause of weight. Light lends visibility to objects, but is light itself visible? If it were, then there must be something else than light lending visibility. In Ricardo's mouth "the value of labour" must be a meaningless phrase. Yet labour has value, and we find it everywhere the subject of exchange. It has value because one man possesses the muscular power, dexterity, or skill that another wants—the two conditions of value according to the theory we are contending for—viz., possession and desire.

Ricardo can, of course, assign no cause of the value of labour. He gives instead the causes that affect wages—to wit, "the proportion between the supply and demand," and "the varying price of food and other necessaries." But wages and value are totally different phenomena—a fact that no one was better acquainted with than Ricardo. Indeed, the crowning merit of his system lies in its demonstration of the complete independence of value and wages.

"The real price of everything," says Adam Smith, "what everything really costs to the man who wants to acquire it, is the toil and trouble of acquiring it." Now the amount of toil and trouble that a man will undergo to acquire anything will be determined by the strength of his desire for that thing. The thing having been acquired, its worth

to the man who has acquired it will be determined by its fitness to satisfy his desire, to bring about the accomplishment of his aim, not, as Adam Smith says, by "the toil and trouble which it can save to himself and which it can impose upon other people." The article may have been acquired for the purpose of being exchanged for another article; in this case, too, its worth will be determined by its fitness to fetch the other article in exchange. Every article that is made is considered worth a certain amount of toil and trouble, else it would not be made. It is the worth or value we put upon the article, the position it occupies in the ranks of our desires, that determines the amount of toil and trouble we shall undergo to procure it. In ordinary speech we say of an article that we have acquired that it is worth the toil and trouble we have undergone to acquire it, meaning that we do not regret having undergone that toil and trouble, and that we should do it again for the same object. To use a slang expression, we say that the game is or is not "worth the candle": we do not thereby mean that the worth or value of the game is determined by the candle. That worth or value is determined by the gratification the game affords us.

Put in its proper place, as we have endeavoured to do, labour supplies common ground upon which exchanges are made. In ordinary circumstances it decides the quantity of coal that shall be given for a ton of iron or for a suit of clothes or for a

load of wheat or for an ounce of gold. Where equal quantities of labour are exchanged is the point to which prices tend to converge. If an average of all the exchanges made in a year were struck, and the labour bestowed on the commodities exchanged could be ascertained, it would be found that men had exchanged with men the results of a certain amount of labour for the results of a similar amount of labour. As Adam Smith says: "If among a nation of hunters, for example, it usually cost twice the labour to kill a beaver which it does to kill a deer, one beaver should naturally exchange for, or be worth two deer. It is natural that what is usually the produce of two days', or two hours' labour, should be worth double of what is usually the produce of one day's, or one hour's labour."

On this passage Ricardo says:—"Adam Smith, who so accurately defined the original source of exchangeable value, who was bound in consistency to maintain that all things became more or less valuable in proportion as more or less labour was bestowed on their production, has himself erected another standard measure of value, and speaks of things being more or less valuable in proportion as they will exchange for more or less of this standard measure. Sometimes he speaks of corn, at other times of labour, as a standard measure; not the quantity of labour bestowed upon the production of any object, but the quantity which it can command in the

market; as if these were two equivalent expressions, and as if, because a man's labour had become doubly efficient, and he could therefore produce twice the quantity of a commodity, he would necessarily receive twice the former quantity in exchange for it."

In the above Ricardo draws a distinction between the quantity of labour bestowed upon the production of any object and the quantity which it can command in the market. There is a distinction, taking the meanings he attaches to these expressions. "The labour bestowed on the production of any object" is clear enough; but "the labour that an object can command in the market" is open to two constructions. The construction put upon it by Ricardo would have been better set forth by the introduction of the word "hire" or "engage," as is shown by his bringing forward the theory of wages, quite out of its place, to combat Adam Smith. Putting this construction on it, then, we may paraphrase his comments on these two expressions thus:—

It is absurd to talk of the quantity of labour bestowed on the production of any object and the quantity that that object can *hire* in the labour market as being equivalent expressions; for if they were, if the produce of a day's labour was equivalent to the reward of a day's labour, then, when, by the aid of machinery, etc., a *hired* man's labour had become doubly efficient, and he could therefore produce twice the quantity of a commodity, he

would necessarily receive twice the former quantity in exchange for his labour.

That this is the correct interpretation of Ricardo's strictures is further shown by his remarks: "If this indeed were true, if the reward of the labourer were always in proportion to what he produced, the quantity of labour bestowed on a commodity, and the quantity of labour which that commodity would purchase, would be equal, and either might accurately measure the variations of other things; but they are not equal: the first is under many circumstances an invariable standard, indicating correctly the variations of other things; the latter is subject to as many fluctuations as the commodities compared with it." The quantity of labour bestowed on the production of a commodity is subject only to those fluctuations that arise from improved methods in their making; whereas the quantity of labour that a commodity can hire or command in the market is subject to all the fluctuations that commodities are subject to—in other words, wages fluctuate just as much as prices, and for similar reasons.

Again, he says:—"If the shoes and clothing of the labourer could, by improvements in machinery, be produced by one-fourth of the labour now necessary to their production, they would probably fall 75 per cent.; but so far is it from being true, that the labourer would thereby be enabled permanently to consume four coats or four pairs of shoes instead of one, that his wages would in no long time be

adjusted by the effects of competition, and the stimulus to population, to the new value of the necessaries on which they were expended. If these improvements extended to all the objects of the labourer's consumption, we should find him probably at the end of a very few years in possession of only a small, if any, addition to his enjoyments, although the exchangeable value of those commodities, compared with any other commodity in the manufacture of which no such improvement were made, had sustained a very considerable reduction, and though they were the produce of a very considerably diminished quantity of labour."

A defect in this criticism on the score of logical method may be pointed out. To thus answer Adam Smith, Ricardo brings to his aid the theory of wages, the law of population, etc., ere he has yet expounded them. This, however, is a comparatively slight objection. Far graver is the charge that Ricardo is not arguing with Adam Smith at all. Adam Smith never said that the quantity of labour bestowed upon the production of an object and the quantity that that object can hire are equal. On the contrary, he said :—"What is bought with money or with goods is purchased by labour, as much as what we acquire by the toil of our own body. That money or those goods indeed save us this toil. They contain the value of a certain quantity of labour, which we exchange for what is supposed at the time to contain the value of an equal quantity." A sovereign, for instance, contains a certain

quantity of labour, and is exchanged for a hat which is supposed at the time to contain an equal quantity of labour. It is equal quantities of labour that are exchanged in the case of these and other articles. What, therefore, Adam Smith means when he says that the value of any commodity to the person who possesses it and who means to exchange it, is equal to the quantity of labour which it enables him to purchase or command, is that the value of an object is equal to the quantity of labour it purchases or commands as embodied in some other commodity. Now this is quite in agreement with Ricardo's own statement that the value of commodities is determined by the quantity of labour bestowed upon them.

A exchanges for B, says Ricardo, because A is the produce of the same quantity of labour as B. The man that purchases B with A, says Adam Smith, purchases B by labour just as much as if he had acquired it by the toil of his own body. A, indeed, being already acquired, has saved him this toil. But it contains a certain quantity of labour, and for that reason exchanges for B, which is supposed at the time to contain an equal quantity. No two statements could be more in harmony than the statement of Ricardo that the value of an object is determined by the quantity of labour bestowed upon it, and the statement of Adam Smith that its value is determined by the quantity of labour, as embodied in some other object, it can command. Adam Smith's statement is a

corollary of Ricardo's; though Adam Smith, the wage system not having been so much developed in his time and in his experience as in Ricardo's, did not see as the latter saw the source of profits. Notwithstanding the fact that Ricardo, as we have shown, mis-stated the theory of value, yet his statement revealed for the first time the real nature and origin of profits.

CHAPTER V.

DIFFERENTIATION OF VALUE INTO MAINTENANCE OF EFFICIENCY, WAGES, AND PROFITS.

Value the aim of industry—Allocation of value—Renewal of capital—Only consumers benefit from improvements—Production only a means to an end—Beginning of wages and profits—Capital maintained by the community—Only one restriction to use of property.

INDUSTRY is concerned with the creation of value rather than with the making of products. True, its efforts result in products, but these efforts are unavailing unless the products have value, and they are availing only in so far as the products have value.

The division of the results of industry would appear in very early times. Thus a boat-owner on his way down to the water-side might hail another man, saying he was going fishing, and that if the other came along, he would share the day's catch with him. He might be induced to do this for various reasons—perhaps from a desire to have companionship, or from the fact that two could work the boat better than one, and by an interchange of employments relieve the irksomeness of the toil. If they shared the proceeds of their toil

alike, the boat-owner would find himself in the long run at a disadvantage. The boat would wear out, and by-and-by he would be without a boat, unless in the meantime he were to stint himself and set apart a portion of his share for the maintenance of the boat. But why should he stint himself and live more meagrely than the other man?

Instead of dividing the catch into two equal shares, they might divide it into three shares—a share for the boat, and two shares of equal size for themselves. Suppose a day's catch for two men and a boat to be 110 fishes, of which 10 have to go to the boat for its maintenance and renewal; then each man receives 50 fishes, and 50 fishes will represent the day's labour of one man, and be equal in value to the day's labour of a baker, or a bootmaker, or a brewer—that is to say, at their equivalent value they will command as much bread as one man can make in a day, less the quantity the baker has to set aside for the maintenance and renewal of his plant, or a similar quantity of boots, or a similar quantity of beer.

When without any plant requiring renewal a fisherman's daily catch was, we shall suppose, 20; then the equivalent value of 20 fishes would be the same as the value of 50 is now. The fisherman would receive as much in exchange for his 20 as he now does for his 50. Wherein, then, is he benefited? If he and his family be consumers of fish, they are not likely to lessen their consumption when the catch has increased from 20 to 50. We

shall suppose that consumption to remain stationary—at 10 fishes, say. When the catch was 20 fishes per day, the fisherman would then have 10 fishes to exchange for other commodities, to the extent of the amount produced by half-a-day's labour by one man. Now that his catch is 50 per day, he will have 40 to exchange for other commodities, or four-fifths of his day's labour, which, at its equivalent value, will command four-fifths of any other man's day's labour. He thus gains the difference between four-fifths or eight-tenths of a day and a half or five-tenths of a day—that is three-tenths; and if his day consist of 10 hours, that will represent three hours, which he may devote to fishing or not, as he pleases. The rest of the community also benefits; for instead of having to give the result of a whole day's labour for 20 fishes, they now get double that quantity—viz., 40 for four-fifths of a day's labour.

Suppose now the baker and his family to consume 10 fishes a day. When the catch was 20, then the labour of half of his day would go to the providing of fish. Now that the catch is 50, his consumption remaining stationary—viz., at 10—he will have to devote the produce of only one-fifth of a day's labour to the procuring of fish. Previously having to devote to this purpose a half or five-tenths of a day's labour, and now having to devote only a fifth or two-tenths, he is the gainer of the difference between five-tenths and two-tenths—viz.,

three-tenths, which in a day of 10 hours equals three hours. He thus gains as much as the fisherman even though no direct improvement has taken place in the art of baking.

But the fisherman and his family may not be consumers of fish, and therefore would appear to benefit little, if at all, when the day's catch improved from 20 to 50; for his 50 fishes at their equivalent value would command in exchange no more of other men's labour than his 20 had previously done. It would be singular, many may think, if the very industry in which an improvement were introduced were to be the one industry to miss any benefit. Yet such is the fact. How can the fisherman benefit except as a consumer? He labours no harder. There is just the same amount of labour embodied in the 50 fishes he now catches as there was in the 20 he previously caught; and if he changes all of these 50 fishes for the result of other men's labour, by no possibility can he continue to command more of their labour than he himself expends. Man is not a producer for the mere sake of being a producer: he is a producer in order that he may be a consumer. As a producer it is a matter of indifference to him whether he catches 20 fishes or 50 in a day; as a consumer it makes a great difference whether his day's labour gives him the power to consume 20 or 50 fishes. Wealth is the object of labour, and wealth is the power to satisfy our requirements. By merely being able to catch 50 fishes instead of 20,

a man's power to satisfy his requirements is not thereby increased. Certainly his power to catch fish is increased two and a half times, but his power to catch fish is not equivalent to his power to satisfy his requirements unless the fishes themselves contribute to that end, and this they cannot do unless he is a consumer. Of what use is the fisherman's increased power to catch fish unless it be an advantage to have more fish than less? But for the purpose of exchanging, 50 fishes are no better than 20 before the improvement, therefore, unless the fisherman be a consumer of fish, he will in no way benefit from the improvement, nor will any one else benefit who is not a consumer. Suppose it came about that as soon as a man felt hungry a fish already cooked appeared on his table; what producer, as such, would be benefited by so great an improvement? No man would be benefited by so great a convenience except in so far as he was a consumer of fish. No benefit is possible or conceivable except to consumers or users. Abridgments of labour, therefore, or improvements do not abridge the labour of the producer of the article in the making of which the improvement has taken place; they abridge the labour of the consumer only—making it necessary for him to devote less of his labour to the procuring of such supply of that article as he may need. It is after all, by virtue of the ever-extending requirements of man, not labour that is lessened by improvements; it is products that are multiplied. If my power of loco-

motion were doubled with the same effort, I should soon find myself continuing to expend the same effort and travelling twice as far, doing double the work, maybe, but receiving the same reward unless I were a consumer or user of the results of my exertions. Rapid production seems to have come to be looked on as an end in itself; a little reflection shows it to be only a means to an end—viz., enjoyment of the product. Who, therefore, can possibly benefit from increased production without accomplishing the end of production? No multiplication of instruments or means to an end is equivalent to the fulfilment of the end.

When the boat-owner and his companion divided their day's catch of 110 fishes, we supposed them to allow 10 for the boat and to take 50 each for themselves. The 10 thus allowed for the boat must not be confounded with profits. Some may, therefore, wish to know where in such a division the boat-owner's profits come from. The man that has no boat will be just as well off at the end of each day or week or month or year as the owner of the boat. This will be pretty certain to occur to the mind of the boat-owner himself. He will forget that the community protects him in his possession of the boat, that it is his to do what he likes with—to sell, to burn as firewood, to allow out or refuse to allow out—in brief, anything short of using it as a weapon against the community. These will not present themselves to him as advantages, as they are enjoyed by every one

else—even his assistant is protected in the possession of his catch, and that catch, forsooth, is as big as his own! Why, he will ask himself, should he have the trouble and expense and anxiety of keeping up a boat when others without boats are making as much as he? He will forget, or rather he will not be aware, that the boat costs him neither trouble nor expense nor anxiety—nor in short anything. All these things are covered by the 10 fishes allowed daily for the boat, which as its owner he takes to apply to its maintenance—meaning by maintenance every conceivable liability the boat may be subject to. These 10 fishes taken from the total catch of 110 do not reduce the value of either man's day's labour; for, if the boat were endowed with the power of looking after itself and each man took 55 fishes as his share, these 55 would descend to the value of 50. The boat is really maintained by the whole community, who in consequence pay as much for 50 fishes as would otherwise be paid for 55. The owner and his assistant contribute only to the extent to which they are consumers of fish. However, these subtleties would not appear to the owner, nor would they appear to his assistant, who would doubtless be quite of a mind with the former, when one morning after he had had some repairs done to the boat, he would begin to complain of the expense and to compare his own position unfavourably with the other's. "You're lucky not to have a boat," he might be conceived as saying to the other. "Though I take

home 60 fishes of a night and you only 50, I think you're better off. You have no bother, and so on and so on." The result is that the assistant, quite struck with the heavy responsibility attached to the keeping of a boat, readily assents to the suggestion that he should provide entirely out of his share the daily quota of 10 fishes for the boat. That evening consequently he takes home as his share not 50 fishes as heretofore, but only 45, and the boat-owner takes 65. The 5 extra fishes taken by the boat-owner are profits. Already, ere yet he had received any profits, the boat-owner would have more custom for his fish than the assistant—more to the extent of 10 fishes which would be expended on the boat; now he will have more to the extent of 20 fishes, and the assistant's custom will be correspondingly contracted. The advantage he secures is at the expense of his assistant, whose standard of living has been reduced and who has now become a wage-earner. Previously they were companions; now, though they are not yet aware of it, they are master and servant. In making his companion a wage-earner, the boat-owner makes himself a wage-earner too. In giving his man 45 fishes for a day's labour, he puts a value on that labour. That labour is identically the same in every particular—in kind, in amount, in all details, as his own; so that the one is the facsimile of the other. If his day's labour and his man's be conceived as two commodities exactly alike, then, if he values one of the commodities

at 45 fishes, he thereby values the other at the same figure. In striking down the value of his man's labour to 45 fishes, he has by the same operation struck down the value of his own. He is now a wage-earner at 45 fishes a day like the other, and a profit-receiver of 10 fishes a day. He makes a profit of 5 fishes a day out of his man's labour and a similar profit out of his own. The day's catch is now differentiated into wages (90), profits (10), and maintenance of boat (10). The boat-owner will now occupy two antagonistic positions: as a wage-earner it will be to his interest for wages to rise, as a profit-receiver it will be to his interest for them to fall. Of course, he does not know that he occupies two antagonistic positions; he may discover, however, that, as he increases in prosperity, his erstwhile companion is depressed. He no longer rejoices in the society of the latter, whose conversation, demeanour, and even dress become different from his own, and whose views of the world and of things in general he has no sympathy with and cannot understand. He accordingly gets another man on the same or on lower terms to take his place in the boat, and devotes himself to keeping a sharp eye on them and the fish they capture. If he sees them indulge in what he considers a little extravagance, he will think he is paying them too much and seek to reduce their wages, just as many people to-day argue that it is useless to increase the wages of workmen because the increase finds its way only into the public-house.

That morning's conversation, in which the boat-owner mistakenly complained of the bother of keeping a boat and deriving no advantage from it, was fraught with far-reaching consequences. We have already proved that the boat-owner contributed to the keeping of the boat only to the extent that he consumed fish. As the issues involved here are important, the point is worth detailed attention. The boat-owner and his family consuming 10 fishes a day, and the result of a man's labour being 50 fishes a day, they thereby consume a fifth of his day's toil. If the boat cost nothing for maintenance, the result of a man's labour would be 55 fishes a day. Thus, if the boat-owner and his family still continued to consume a fifth of his day's labour, they would have 11 fishes instead of 10 for dinner. The eleventh fish which they do not have has gone to the boat's maintenance, and that is the extent of the boat-owner's contribution, though he put aside for the boat five in the first instance out of his 55 or share of the total catch of 110. Thus, instead of contributing a half and his assistant the other half to the boat, as they thought when each put apart 5 fishes out of their equal shares of 55, he contributes only a tenth. So will his assistant contribute only a tenth, if he consume 10 fishes a day; so will the baker, the boot-maker, the brewer, the boat-builder, and so on—if they consume 10 fishes a day each. Every consumer of fish will contribute his quota, and thus every consumer will have an interest in the boat, an

interest in discovering a boat that will require less to maintain—less not only absolutely but relatively. Thus a boat that assisted the men so much that the total catch instead of being 110 was raised to 220, would, though it cost 20 fishes a day to maintain, cost relatively to the catch only half as much as the other. It would still be costing the same portion of value—viz., one-eleventh; fish, however, being only half their former value, consumers would have to devote only half the time they formerly devoted to the procuring of fish. Just as consumers of fish thus contribute to the boat's maintenance, so consumers of bread would contribute to the maintenance of the efficiency of the baker's plant, wearers of boots to the bootmaker's plant, purchasers of beer to the brewer's plant, and so on—every member of the community contributing a portion of his day's toil to the efficient upkeep and renewal of the instruments of labour, whether these instruments be animals or machines.

Because the community maintains the boat-owner's boat, that is no reason why the community should take possession of the boat. The community maintains it only to the extent to which it contributes to the maintenance of the community and because it so contributes. The community by such maintenance is sufficiently recompensed in having at its disposal the services of efficient instruments. If it ceased to maintain these instruments, it would cease to have fish or bread or boots or beer. The only restriction the community can

put on possession is that the possessor shall not use his possessions, the things in whose possession it protects him, in a way inimical to itself. He is as free as Adam in the garden of Eden; he can enjoy all the fruits his possessions help him to obtain, with the one reservation that he must not use these possessions as a weapon against his fellow-citizens. Now, our boat-owner, on the morning of that fateful conversation with his companion, used his ownership of the boat as a lever for reducing the status of a fellow-citizen. He was not aware, and his descendants of to-day are not yet aware, of the full significance of his conduct. This will be revealed in subsequent chapters.

CHAPTER VI.

WAGE-EARNER'S DIVORCE FROM PRODUCTS— SOURCE OF HIS WAGES—EXACT POINT OF ECONOMIC PROGRESS.

How wage-earners lose rights to commodities—Where wages come from—Beginning of money—A great convenience to employers—Improvements and increase in population—Value not affected by wages—Compelling nature of economic progress—Multiplication of products and population.

WE have seen that the boat-owner now takes home 65 fishes (45 wages and 10 for boat maintenance and 10 profits) and his man 45 in wages alone. Having so many more fish to dispose of than the latter, the former would acquire what is called a larger connection, would have better facilities for disposing of fish, and would become better known as a man to get fish from. People, accordingly, wanting fish would in general be more likely to go to him than to the other, as being more certain to get them there and having a larger stock to choose from. Thus he would have in time so much better facilities than the other in selling fish, that a bargain would be struck whereby all the fish

would become the property of the boat-owner, who would in turn credit his assistant with his share. This is the way possession of the product of industry becomes vested in the receivers of profits; wage-earners, as such, have never any interest in that product.

As to the way in which the owner of the boat will credit his assistant, the former having acquired a reputation as a man of means and doubtless of probity, for being better off than his neighbours he would find it advantageous for the protection of his interests to set an example of strict honesty, his note of hand would suffice and would doubtless easily pass current in the village. Such notes might remain in circulation for weeks and even months without returning to him for redemption; indeed, some might get mislaid and be forgotten or lost, and these he might never have to redeem at all. In such cases he would escape the actual payment of his assistant's shares or wages. The point, however, to be noted is that he cannot be conceived as paying wages in advance in any sense. He himself gets that part of the fish that goes to him in wages as they are caught, and his assistant gets the share, or its equivalent, that goes to him in wages at the end of the day or week—*after they have been caught*. It may be said that he *advances* the boat. The boat, however, has nothing to give—its share beginning with and growing with the other shares. It may be said again that what is so plain in a state of barter,

becomes quite different after money is introduced as a medium of exchange. Now his acknowledgments of wages due to his assistant that for convenience he gave him in lieu of fish became a species of money as soon as the baker or boot-maker or beer-seller, knowing that whenever they wanted fish these notes would procure fish for them, took them for bread or boots or beer. They were to all intents and purposes money in that limited area; and we saw that when the boat-owner gave his assistant these instead of a share of the catch, so far was this substitution from being a payment in advance, it was actually a deferring of payment. When the assistant took his wages home in fish at the end of the day, the boat-owner had actually paid him; when he took home simply an acknowledgment of the fish due him, the boat-owner had *not actually* paid his assistant, and would *not actually* pay him until that acknowledgment came back and was paid out in fish. But these acknowledgments cost the boat-owner nothing, it may be said; he would just make a mark on a piece of paper or a piece of wood, whereas before he can give money—pence, say—he must have earned or in some other way acquired these pence. If he pay in pence, he must assuredly have these pence in his possession. So also, however, if he pay by a mere note, must he have in his possession the material to make that note. His having had to acquire that material—wood, paper, pencil, pen, or ink—previous to giving the note is surely not

equivalent to advancing the wages before they are made, or to advancing even that part of them that may be equivalent to the value of that material. It may be objected that such material costs next to nothing, whereas payment in money implies a previous sacrifice equivalent to the value of the money paid. This does not really affect the argument. Still, suppose that the boat-owner employed a hundred men, whose wages he paid in such notes. Would that cost nothing? There would be not only the drawing up of the notes and the signing of them, but also the dealing with them when they came back, their examination to see that they were genuine, etc. That boat-owner would no longer be able to go fishing himself, all his time would be taken up with these notes, and he would besides have to call in assistance to help him with them. Even with the convenience of money, issued under the stamp of governments, and with all the devices of modern times, the payment of wages where large bodies of men are employed involves great labour, and but for this convenience it is inconceivable how or by what great labour and expense they could be paid at all. To maintain, therefore, as many do—by arguments, however, that lead only to confusion—that employers *advance* their men wages is just as if a grocer in equipping himself with weights and scales were to maintain that he was thereby advancing the goods he deals in to his customers. Because the employer provides himself with ready-

made measures of value at the end of each week to pay his men with, is he thereby, because he has to pay for these measures before he gets them, paying his men in advance? He certainly pays them right out—the sovereigns and shillings do not come back for redemption as the fisherman's notes did, and no one is more inconvenienced or pleased at this than the employer himself.

As to abridgments of labour or improvements, a further word may profitably be said here in view of the popular notion that, because with the increasing adoption of machinery in modern times population and employment have increased, therefore improvements lead to more work. They would not be improvements if they did that. The boat that raised the day's catch of two men from 40 to 110 would not have been an improvement if it had required 70 fishes for its maintenance and renewal. The result of the day's toil of two men would have been still only 40 fishes, and, though 110 fishes would be now taken out of the water where 40 had been taken out before, the value of fish would remain unaltered. The boat requiring 70 per day for its maintenance, and 20 representing the result of one man's labour per day, would incur for its efficient maintenance the labour of three and a half men per day. The three and a half men, however, who get these 70 fishes by looking after, repairing, and renewing the boat would be just as profitably employed in fishing as in boatbuilding, and in no sense could the introduction of such a

boat be regarded as an improvement, unless the three and a half men were incapable of following the pursuit of fishing. In such case their employment about the boat would enable them to earn their own living just as effectually as if they each caught 20 fishes a day. This would be an improvement, not in the method of catching fish, but an improvement on the alternative of having these men a burden on the community. Improvements or abridgments of labour, as such, cannot make work, otherwise, as already remarked, they would not be improvements or abridgments. They multiply products, and the extent to which they multiply products is seen in the extent to which the value of the commodities in the production of which the improvement has taken place falls. As to the increase of population in communities with the adoption of labour-saving methods, that, though partially touched upon in this chapter, will receive adequate treatment later on.

At this stage we can set forth the independence of wages and value. It is a popular notion that an increase of wages leads to an increase of price and *vice versâ*. Ricardo showed the fallacy of this long ago, though not quite in the same way as we hope to show it here. When the boat-owner and his companion each took home 50 fishes, leaving aside the 10 for the boat, the equivalent value of these 50 fishes was the product of any other man's day's labour. When the boat-owner takes 55 fishes (45 being his wages and 10 profits) and gives his man

45 as wages, it is apparent that no element to disturb the equivalent value—viz., the labour expended in procuring these 100 fishes, is introduced. The 10 fishes that go to the maintenance of the boat affects value, as we have already shown; because, if the boat required no fish, then 110 being the total catch and being the result of two men's day's labour would exchange for any other two men's day's labour—that is to say, 55 fishes would now be as cheap as 50 were previously. But if the maintenance of the boat affects value, why should not the maintenance of the men?

The maintenance of the men is the object, the end of the industry; the maintenance of the boat is only a means to that end, a means to the catching of fish just in the same way as the labour of the men themselves is, and acting in the same way upon value. The end or purpose of an undertaking does not increase or diminish the labour involved in the accomplishment of the purpose; it is the cause of the whole thing. The men go fishing to maintain themselves, not to maintain the boat. One man may require more for his maintenance than another—may require or wish to have 15 fishes to consume instead of 10. In that case he must expend half as much labour again as the other in procuring fish for himself, and the value of the result of that increased labour will be enhanced, but each fish will be of the same value as each of the 10.

But these two men may be wage-earners at 45

fishes a day, their total catch being 110: 90 of which go in wages, 10 to the maintenance of the boat, and 10 to the boat-owner as profits. If their wages be reduced to 40 fishes each, would not the fish decline in value? The only change conceivable in such case is that instead of 90 fishes going in wages only 80 fishes would so go, leaving 20 for profits instead of only 10. The same labour is expended in the catching of the fish, and whatever be the portion that goes to wages that labour is unaffected; and if the quantity of labour be unaffected so will the equivalent value be unaffected. A change of wages to more or less results only in a change of profits to less or more. But if the boat-owner got 20 fishes instead of 10 in profits, it may be said that he could afford to sell them for less. Perhaps he could. But why should he? What advantage would it be to him if he were to get no more for his profits of 20 fishes than he did when they were 10? It would be more to his advantage to raise his men's wages again and restore their contentment. Again, it may be thought he could exchange the 20 fishes for as much as 15 formerly procured for him, and in that case his profits of 20 fishes would bring him one and a half times more than his profits of 10 did, and fish would be cheaper. He could certainly exchange his 20 fishes for what lower rate than their equivalent value he liked. He could give them away, if he so wished. But why should he give more to the baker, or the boot-maker, or the brewer, than they gave him? Sup-

pose he now gives his two men his note of hand in lieu of fish, as we have seen that in course of time he would, and takes possession of the entire day's catch of 110 fishes. He acknowledges 80 of these to be wages, 20 are profits, and 10 are the boat's. If in consequence of receiving double profits he lowers his price, selling 20 fishes at the rate 15 formerly sold at—that is at three-fourths the equivalent value—he will get for his 110 fishes only as much as $82\frac{1}{2}$ procured formerly. Now, his notes to his men are for 80 fishes or their equivalent value, which equivalent value is not reduced because on account of his getting 20 fishes instead of 10 in profits he chooses to exchange them for the equivalent 15. Consequently, when these notes come to be redeemed, he will find only $2\frac{1}{2}$ fishes remaining for himself and the boat instead of 20 for himself and 10 for the boat. Instead of a fourth he might reduce the price only one-eighth. Then the 110 fishes would realise seven-eighths of their former price and be worth only what $96\frac{1}{4}$ were before. Of these 80 would have to go in the redemption of the notes, and 10 to the maintenance of the boat, leaving $6\frac{1}{4}$ for himself instead of 20. If he reduced the price only a sixteenth, he would have $13\frac{1}{8}$ for himself. In each of these cases of reduction he will be making a present to the baker, bootmaker, etc.—in the first case $27\frac{1}{2}$ fishes, in the second of $13\frac{3}{4}$, and in the third of $8\frac{7}{8}$. Men, however, do not engage in industry to make presents—least of all, men who reduce their workmen's wages.

"It will have been observed," says John Stuart Mill, "that Ricardo expresses himself as if the *quantity* of labour which it costs to produce a commodity and bring it to market, were the only thing on which its value depended. But since the cost of production to the capitalist is not labour but wages, and since wages may be either greater or less, the quantity of labour being the same; it would seem that the value of the product cannot be determined solely by the quantity of labour, but by the quantity together with the remuneration; and that values must partly depend on wages." Yet a few sentences further on Mill says: "There is *no mode* in which capitalists can compensate themselves for a high cost of labour, through any action on values or prices." Ricardo makes his meaning clear enough when he says: "Mr. Malthus appears to think that it is a part of my doctrine that the cost and value of a thing should be the same. It is, if he means by cost, cost of production *including* profits. This is what he does not mean, and therefore he has not clearly understood me." The proper place to bring out clearly the relation between value and wages is after we have laid down the theory of wages; which we shall do in the next chapter.

When the day's catch was raised from 20 fishes to 50, we saw that the 50 would be worth no more in exchange than the 20. Of the 20 we assumed that the fisherman himself consumed 10 and the baker 10, for which he gave the fisherman 10

loaves, the result of half-a-day's baking. The fisherman's consumption of fish still remaining at 10 and the baker's at 10, there will now be a surplus of 30, the result of three-fifths of a day's labour or of six hours' labour in a day of ten hours. Because the catch has increased two and a half times, the fisherman's and baker's appetite for fish will not necessarily increase. If the baker can take only 10 fishes a day, he cannot give more than a fifth of a day's labour for them—that is four loaves, their equivalent. How is the fisherman to get the other six loaves he has been in the habit of getting? And how is the baker to dispose of the six he has been serving to the fisherman? Though each may wish to remain in the position they were in previously to the improvement, neither will be able to do so. Though no change has taken place in the men and though they do not wish for any change, they cannot help themselves. They are now living in a new world, and they must adjust themselves accordingly. *In this compulsory adjustment lies the essential element in economic progress.* The world has changed. Instead of being a world yielding only 20 fishes to a day's labour it is a world yielding 50 fishes to a day's labour. If they wish to remain as they were in point of consumption only, they will have to change. That consumption is 10 fishes and 10 loaves each. To procure the 20 needed fishes only four hours' labour is now necessary, and to procure the 20 loaves ten hours' labour is still necessary—fourteen hours' labour in all or seven

each. The baker will not work five hours for the fisherman's two hours; so if they wish to remain even as consumers as they were, the fisherman will have to become baker for three hours a day. Do what they can, they cannot make fewer changes than this, and this involves the fisherman becoming also a baker and a reduction of their hours of labour from ten to seven each. Man is so constituted, however, that with the satisfaction of one want another appears. The fisherman would go on catching his 50 fishes a day and the baker baking his 20 loaves. Hawking round his 30 fishes, the surplus, he finds the bootmaker will take 10, the miller 10, and the tailor 10. He is not needing any boots or clothes or meal, but their acknowledgment of the debt is good enough for him and good enough for the baker; so he transfers as much of it—viz., 15 fishes—as will pay for six loaves to the baker. The transaction might be conceived as beginning by him pressing the baker to take 25 fishes and to give 10 loaves. The baker, however, assures him that 10 fishes are quite as many as he can consume, and that the extra 15 would be worse than useless to him. "Why don't you take them to the miller?" the baker might proceed. "The other day when he was here, he was looking at the fish you had left and was saying he would like to have some. I had to tell him, however, that I took all your spare catch, and he seemed disappointed." "That's all very well," the fisherman might reply, "but flour's no good to me. I want

six loaves." "Yes, but don't you see, if you get the worth of your 15 fishes in flour, I can take the flour and give you six loaves for it." The fisherman would now set off at once for the miller's, and bringing back the flour, or the miller's acknowledgment, receive his six loaves and the difficulty would be overcome. The fisherman, after consuming his own 10 fishes and exchanging 25 for his bread, has now 15, or three-tenths of a day's labour, to spend on boots, clothes, or whatever else he may want most. Before, he had no such surplus; now the world becomes a new world to him. The baker having to give only a fifth of a day's labour instead of a half for his fish has also three-tenths of a day's labour to spend on boots, clothes, or whatever else he wants. Thus, a multiplication of products leads to increase of population, for by-and-by, as improvements were adopted, a bootmaker, a tailor, and representatives of other trades would appear on the scene and that village would grow and become a town. Thus improvements, while they do not, so long as the same value is created, abridge labour except to the consumer, do not make work. They multiply products, and the multiplication of products providing a surplus, affords the means of gratifying a wider range of desires. This is a distinct accession to wealth, to the power to satisfy desire. To minister to this wider range of desires an increased population is forthcoming with the means for its support.

CHAPTER VII.

ARE THE CONDITIONS OF EXCHANGE-VALUE NECESSARY?

Human desire and value—The doctrine “to each according to his needs”—Property—The first seed of civilisation—Selfishness—Intention of property—To encourage industry—Society’s intentions thwarted—Property in land—Property not wealth—Carlyle on the uselessness of our riches.

HAVING established the conditions of exchange value—viz., desire and possession, we may proceed at this stage, as the discussion involves no economic principle that we have not encountered, to ask and to answer the question whether or not these conditions are necessary, unalterable, and, as it were, in the nature of things. Certain things have no exchange value—things, too, that supply our needs and that we could not live without, such as air and water. Is it possible to remove the causes that confer exchange value on other things and so have these other things distributed in the same profuse manner as those equally necessary things without value?

As to the condition that an object to have

exchange value must be an object of desire, that may be at once dismissed as unalterable. To dream of attempting to eradicate from the human breast the desire for objects that contribute to our wants or gratification is as vain as to dream of attempting to pluck the stars from the vault of heaven. Desire alone, however, does not confer exchange value; and though this condition be as immutable as the law of gravitation itself, the other condition, possession, may prove of a more yielding nature. If objects of desire, no matter how urgent that desire may be, are not at the same time objects of property, we have seen that they can have no exchange value. To make everything, then, that mankind requires for its sustenance and gratification as free as air and water and sunshine and cooling breezes, all that is necessary is to break the bonds of property. Is this possible? If it be shown to be possible, then will it have been shown how men and women may have all that they desire, in a manner of speaking, free; and if it be shown to be impossible, then will have been answered an active section of the community who proclaim the doctrine "to each according to his needs."

There is a reason for everything; and for this phenomenon of property, common to every society in every age, there must be a very weighty reason. No society has ever guarded anything so jealously as property, which must, therefore, rightly or wrongly, be looked upon as essential to the well-being, if not

to the continued existence of civilised communities. Here we are to inquire whether the strenuous efforts put forward by society in protecting every man in the possession of his own are well or ill-founded. If ill-founded, then we may be permitted to expect a time when all agreeable things may be acquired on perhaps the same easy terms as light and air; if well-founded, then the millennium must be looked for in some other direction.

In a purely savage state man resembles the brutes in the methods he adopts for satisfying his wants. He shifts his abode with the shifting seasons. If he be hungry, he attacks any one that comes along with anything he may want and robs him, just as a dog does when it meets another dog with a bone. He does not know any other way of getting from his fellow-man whatever the latter may have that he himself wants. By-and-by, however, he discovers another way, and that is by offering to his fellow-man something that the latter wants in exchange for what he himself wants. "Give me that that I want and you will have this that you want,"—the first expression of this kind that is uttered is the first seed of civilisation. Whenever this idea, the idea of exchange, is grasped, man is no longer a savage, civilisation is inaugurated. This more than anything else turns the sword into a ploughshare and the spear into a pruning hook. It alters entirely the relations between man and man, and makes possible all the progress that we have any knowledge of.

Now it is evident that only objects of possession can be objects of exchange. No one can give anything for an article that no one possesses. Thus if property is to be extinguished, exchanges will be no longer possible; and it is this possibility that made division of labour possible, and division of labour has given us machinery, money, etc., so that man with a thousand conflicting wants need pay heed to none of them, but can confine his efforts in one channel, giving these efforts precision and effect; indeed, division of labour has given us everything that marks the civilised off from the savage stage. To abolish property then would seem to be the same as to knock out the very keystone of society.

The selfishness of mankind is often regretted. That deeply-rooted principle, however, in human nature, and indeed in every living thing, whereby each individual seeks by his own exertions to surround himself with the necessities and conveniences of life—this it is worse than futile to regret. This must ever be the dominant principle in any organism that would live, and gives point to the efforts of such organism in the struggle for existence, as it is called. If we were guided by a feeling of regard for others stronger than the feeling of regard we entertain for ourselves, our efforts would result only in confusion. Each man knows his individual requirements better than another, and it is right and natural, and must ever be, that he himself should provide these requirements for himself.

How is he to do this unless he be assured that he will be protected in the use of whatever his foresight may have induced him to provide? And what does this protection result in but property?

Here, then, we see what the intention of property is. It is to encourage industry. It is not in the nature of man to work for nothing. We work to win; and it is inconceivable that the intention of society to ensure every man in the enjoyment of the fruit of his labour should ever be called in question. Is it not apparent that if the principle "to every one according to his needs" were inaugurated to-morrow, industry would cease? Only fools can be conceived as working in such circumstances. Amongst the needs of every one is a desire to live without the necessity of undergoing the irksomeness of toil; so, if we were all to be rewarded according to our needs, we should all be able to show a title to immunity from labour. Human beings, in seeking to accomplish their aims, follow, like physical forces, the line of least resistance, and in a community where each was supplied according to his needs, if such a community is conceivable, it would be preposterous to suppose that they would depart from this universal principle. Such a ridiculous doctrine may therefore be dismissed.

Let us investigate, however, a little more closely the meaning of property. A man makes an article and society steps forward and says with all the vigour at its command that that article is his.

Why? So that he may be induced and encouraged to make more articles. In this way industry and the arts of peace are encouraged and wealth is promoted. No other reason except this can be assigned for the action of society. It so acts entirely for its own preservation. If, as soon as a man made an article, any one were allowed to come along and take that article from him, he would immediately cease to make articles, and would take to going about like other people in search of whatever he wanted at the expense of others. Society would then, of course, become immediately disintegrated.

Now, in looking round we soon find that the good intentions of society have in some way or another been thwarted, or, perhaps rather, the very law of its existence has been violated. We find in short, and broadly speaking, that the people in modern communities who make everything possess next to nothing, while those who make nothing possess next to everything. The toiling masses, as they are called, just get enough to keep them going so long as they are able to toil, and then they fall for the means of support upon the community. This would seem to be the undeniable fate of the great majority of the workers, and active search is being made for the cause of so lamentable and so dangerous a state of affairs. This is purely a question for political economy to solve, and political economy we hope to be able to show can shed the necessary light.

Whether or not men will follow the light is another question.

Evidently if the intention of society in putting itself about to protect property were realised, then the industrious classes would be the propertied classes. This, however—and no one disputes it—is not the case. Even so; it might not be desirable to alter present arrangements. The only ground that society can have for action is its own preservation and welfare; and it might be that the accumulation of property in the hands of others, not the actual producers, were conducive to these ends. If so, then society would have to retain the present arrangements. If not—if, on the contrary, such an arrangement be shown to be fraught with danger to the commonweal, then it must be abandoned, and society for its own preservation will be driven to adopt another arrangement.

The institution of property being designed to encourage industry—and the stoutest supporters of existing arrangements can advance no other reason for it—it is thought by some to be at least superfluous for society to maintain property in land. No protection that the most stable community can ever afford to the man that claims absolute ownership in any portion of land, it is contended, can induce that man to multiply his exertions. He cannot make land. Society, however, these hold, by ensuring him in the possession of the fruits of the soil, can encourage him to activity. The mere possession of land does not even encourage him

to improve it; for of what use would the improving of land be to any one unless he were to enjoy the enhanced yield, whether in pleasure or profit. It is enough for the fulfilment of the design of the institution of property, as far as land is concerned, that he be thoroughly protected in its fruits, which alone can be multiplied by industry. As we have not yet arrived at the theory of rent, we are precluded from further discussion of this question at present.

Political economy shows how wealth is increased. Wealth is not property, but power to satisfy desire, as we have abundantly shown. Now, the institution of property is an aid to wealth. It encourages, is, in fact, a necessary condition of, industry—the great wealth-producer or promoter. Property, again, is a necessary condition of exchange; and if industry be the great wealth-producer, exchange between man and man, and between nation and nation is the great wealth multiplier. Political economy, therefore, has to recognise the most stringent enforcement of the binding idea of property.

Wealth being power to satisfy desire, to achieve aims, no country can be considered wealthy where the majority or great numbers of its citizens lack that power. No matter what amount of property may be piled up, so to speak, in such a country, unless its owners can use it, it does not make for, is not a source of wealth. Indeed, if side by side with vast accumulations of property there be a

hungry and needy populace, then such property is apt to be a source of weakness rather than strength to the community. It is in some such condition as this that modern communities find themselves. As Carlyle says:—"We have more riches than any nation ever had before; we have less good of them than any nation ever had before. Our successful industry is hitherto unsuccessful; a strange success if we stop here! In the midst of plethoric plenty, the people perish; with gold walls and full barns no man feels himself safe or satisfied. Workers, master-workers, unworkers, all men come to a pause; stand fixed and cannot farther. Have we actually got enchanted then—accursed by some God?" Yes—and the exact nature of this enchantment will reveal itself as we proceed.

CHAPTER VIII.

WAGES AND PROFITS.

Importance of labourer's share of value—*Rate* of wages—How fixed—When it is high and when low—What *rate* of wages means—Profits—Senior's "abstinence"—Mill on—De Quincey on—*Rate* of profits—No profits of stock in political economy.

THE industrial world is divided into employers and employed. The latter are by far the most numerous, and there is consequently nothing that so greatly affects the well-being of a nation as the share of a nation's produce that they enjoy. This share goes by the name of wages.

The *rate* of wages is determined by competition, which may be between the employers or between the employed. If workmen be scarce, the employers will compete with one another; if workmen be numerous, the workmen will compete with one another. When the employers have to compete for workmen, the rate of wages tends to rise; when the workmen have to compete for work, the rate of wages tends to go down.

A good illustration of the manner whereby the rate of wages is fixed is furnished by an auction—

in fact, the process by which the various articles sold at such sales are reached is just the same as that by which the remuneration for a day's, a week's, a month's, or a year's toil is reached. It is not the auctioneer, nor is it the buyer, that fixes the price of any article. The auctioneer wishes to sell at as high a price as he can, and the buyer wishes to buy at as low a price as he can. The auctioneer must sell a certain article—a table, let us suppose. Now, what will determine the price at which this table will be sold? If there is no one at the sale wishing a table, then, if the auctioneer manages to sell this table at all, it will be at a ridiculously low figure, just for what it would be worth as firewood, perhaps. If there is only one man present who cares to have the table, then he will have it at what price he may bid. Suppose, however, that a number are anxious to have this table, then they will bid for it, the one against the other, and force the price up until only one man is left in the field. Now, what takes place between the auctioneer and buyers is pretty much what takes place in the industrial world between workers and employers. The auctioneer corresponds to the workman who offers his labour in the market; the table corresponds to the workman's labour that is offered for sale, and the buyers at the sale correspond to employers of labour. Putting the workman and his labour through the same cases as we put the auctioneer and the table, we find that, if no one requires the workman's labour, he will not be able

to sell it or get work; at best he will have pretty well to throw his labour away, just as the auctioneer had to throw the table away. If only one man requires the workman's labour, this one man may get it on very easy terms to himself. If a number of men, however, are anxious to secure this workman's labour, then these men will bid against each other for it, and the workman will be able to make a better bargain: wages will rise. All this may be stated in one sentence—viz., that the rate of wages is determined by competition, and that it will tend to rise with the demand for labourers, and to fall with the demand of labourers for work. This applies to every kind of labour—to the labour of an artist as well as of a navvy, to the labour of an editor as well as of the boy who sells the paper in the street.

When employers are competing amongst themselves for labourers, each one holds out better inducements than the other in the shape of better wages or better treatment generally. For instance, in America the rate of wages used to run very high, because there was a scarcity of workmen; more labourers were wanted than there were to be had. Not only was the rate of wages high, but employers were very civil to their servants, as is evidenced by the fact that servants were euphemistically called "helps," allowed to sit at meals with their employers, and treated as equals. This courtesy on the part of employers in America has now disappeared with the cause that gave rise to

it, for labourers are no longer scarce there; and if a servant dislikes to be called a servant, he can go about his business—there are plenty others to take his place. In passing we may add that it was this scarcity of labour, and nothing else, that led to so much being said of equality in America; the form of government had nothing to do with it.

When labourers are competing amongst themselves for employment, each one offers his services for less than the other. This, of course, brings wages down. It is useless for a man to offer his services for five shillings when there are twenty others offering to do the same thing for two shillings. Thus one man underbids another, and the one whose necessities are greatest is the one who will accept the lowest terms. The rate of wages, then, may be said to vary according to the relation between the quantity of labour offered and the quantity of labour required. As it is one of the received doctrines of political economy that the rate of wages is determined by competition in the way indicated, there is no need to further enforce it.

A theory of wages, however, ought to tell us something more than merely the causes that make them vary. It ought to tell us what wages are. This has been incidentally revealed in the chapter on the differentiation of value into maintenance of plant, wages, and profits. Hitherto, rate of wages has been regarded as what a labourer receives per

hour, or per day, or per week, etc. Now, the idea that the rate of wages is a certain sum per hour, or per week, or per month, paid to a labourer—understanding by labourer every one that derives his share of value by work—this idea is all very well in the ordinary operations of the world of practice. It is convenient in matters of accountancy, and in enabling men to strike bargains with more or less precision. In political economy, however, it is of little use. So far we have not seen that the element of time affects our speculations. Value is the thing, not time, and value is determined by labour. True, the operations involved in labour take time, but these operations, no matter how long a period of time they may cover, would not thereby necessarily eventuate in value. “Rate of wages” as meaning so much an hour or day, etc., has been taken, like too many other expressions that have crept into political economy, without question from the phraseology of the everyday business world.

By rate of wages, then, we shall here henceforth mean not what a man receives for labouring during any period of time, but the rate per commodity or per each creation of exchange value his labour results in. The important thing in political economy is the share in every separate creation of exchange value resulting from labour that goes to the labourer, and it is the sum of these shares that goes to make up his hour’s, day’s, or week’s pay as the case may be. This is exemplified in

piece-work, the labourer in such an arrangement being paid according to the value he creates. In the ordinary expositions of the theory of wages there is always missing any connection between wages and the results of labour. The rate of wages, we are told (rate of wages meaning the rate per hour and so on), depends upon the relation between the supply of labourers and the demand for them. Wages, however, cannot depend upon this alone. The mere relation between the number of labourers and the number of situations cannot provide wages. These must come from somewhere, and they come, as we have pointed out, from the value created by labour. It should be clear that a man's wages do not come from an hour's, or a day's, or a week's work, but from the results of that work. True, he has worked an hour, or a day, or a week; but if his wages came from that fact alone we should never have heard of "the ghost not walking"—in other words, of workers going to the pay-box and turning empty away. Moreover, we can tell the real reward of labour at any time only from a knowledge of the extent to which it participates in the value it creates. This is why mere comparisons of daily or weekly wages at one period of time with the wages of a distant period are so futile and meaningless. Let it then be clearly understood that rate of wages as here contemplated is the share per commodity or per each creation of exchange value that goes to the labourer making the commodity;

and that his total wages—his day's, week's, etc., wages—is the sum of these shares.

As to profits, they accrue from the portions of ~~value remaining after wages have been paid.~~ Ricardo revealed this clearly enough; yet subsequent writers and ostensible followers of his did not follow him consistently. Senior, for instance, was the first to call profits "the remuneration of abstinence." Just as wages are the remuneration of labour, so profits are the remuneration of abstinence. Profits are, in the words of Mill, what the capitalist "gains by forbearing to consume his capital for his own uses, and allowing it to be consumed by productive labourers for their uses." Abstinence is not usually rewarded in this way. By merely refraining from consumption there is nothing produced. The only effect of abstinence is to leave one's possessions unaltered. If you do not eat your cake, you will still have it. It will, however, not grow, except stale, nor will it multiply. To say, then, that profits result from abstinence is to offer a wholly inadequate explanation of this phenomenon. Again, to say as Mill says, that a capitalist refrains from consuming his capital for his own uses, and allows productive labourers to consume it for their uses, is to say what is manifestly wrong. Capital cannot be consumed, no matter how consumable the material items composing it may be. A confectioner's stock, for instance, is his capital; the moment, however, he starts to consume it, from that

moment its character as capital vanishes. Things are capital or not according to the purpose they are turned to. Still further, who can imagine a capitalist as allowing labourers, productive or otherwise, to consume his capital—especially for their own ends?

Mill offers another explanation of the source of profits, thus stultifying himself. "The cause of profit," he says, "is that labour produces more than is required for its support." It is not within the province of political economy to say what labour *requires* for its support. Political economy is a science, and science is concerned with truth; with what is, not with what is *required* or what ought to be. Who is entitled to say what is, or what is not, sufficient for the support of labour? It would have been in accordance with science method to have said "the cause of profit is that labour produces more than it *receives*."

Put in this form Mill's statement harmonises with Ricardo's view of the source of profits which are thus as much part of the produce of labour as wages. They are that part of value that remains, as already observed, after the deduction of wages. The greater the portion of value created by industry claimed in wages, the smaller the portion remaining for profits. The higher wages are, the lower must profits be and *vice versa*. Variations in the rate of wages are the cause of variations in the rate of profits. Wages and profits are parts of one whole; the increase of one part, therefore,

implies a corresponding decrease in the other, and the decrease of one a corresponding increase in the other. "In one brief *formula*," remarks De Quincey, "it might be said of profits that *they are the leavings of wages*; so much will the profit be upon any act of production, whether agricultural or manufacturing, as the wages upon that act permit to be left behind. It follows that wages and profits vary inversely: whatever the one loses the other gains; and the gain of either can only be through the loss of the other. Neither of the two can gain *absolutely* or irrespectively of the other; wages being eight shillings and profits two, then it is possible that profits might rise to three, but only by wages falling previously to seven." Profits in such case would stand to wages in ratio of 3 to 7 or to the total value as 3 to 10.

The rate of profits, however: what is that? In the world of business if a man invest £100 in a concern and receive £5, £10, or £20 per annum in return, the rate of profits is 5, 10, or 20 per cent. Rate of profits in political economy, however, is quite another matter. To understand this we must revert to the case of the fisherman and the boat (pp. 66 *et seq.*). With the aid of a boat two men catch 110 fishes a day, of which 10 go to the maintenance and renewal of the boat, the remaining 100 being divided in equal shares between the men until both of them, in circumstances explained, become wage-earners at 45 fishes a day each. The 10 fishes that go to the maintenance and renewal of the boat are

in no sense profits; the 10, however, left after 90 have been paid in wages are. These 10 are to wages as 1 is to 9, or to total value as 1 is to 100; for the 10 that go to the boat do not count here, as if the boat cost nothing for upkeep, then 110 fishes represent no greater quantity of labour than 100, and so would be of the same value as 100. Profits can thus stand in a certain ratio to wages or to total value, and can be of a certain amount; but as to having a *rate*, the only sign of anything of this nature in the case supposed is that they are 5 fishes per man employed per day, or one-tenth per each creation of exchange value. In the case before us, then, the rate of profits as understood here is one-tenth and the rate of wages nine-tenths per each creation of exchange value. There is thus in political economy no such thing as profits of stock. The 10 fishes that go to the boat, or stock, are not profits; the owner of the boat is in no way advantaged by them except as a member of the community, and even then, as we have shown, only in so far as he is a consumer. The only profits are the 10 fishes, *the leavings of wages*, as De Quincey has it, that remain after 90 have been paid to the men.

Mill says:—"If the labourers of the country produce twenty per cent. more than their wages, profits will be twenty per cent." A labourer that produces value represented by 120 fishes, say, and receives 100 of that value in wages is in the position of a labourer that produces 20 per hundred or

per cent. more fish than his wages; but profits would not, therefore, be 20 per cent. ("the rate of profit," according to Mill, being "the percentage on the capital") unless wages and capital are to be taken as convertible terms. In such case all that Mill's statement amounts to is that if your labourers yield you a profit of 20 per cent., then profits will be 20 per cent., which is saying nothing.

CHAPTER IX.

EFFECT OF DIMINISHED OUTPUT ON WAGES AND PROFITS.

Effect of labour hours on wages and profits—*Rate* of wages and *rate* of profits not affected—Total wages and total profits are—Effect of employing more men—Some social and political effects—A sectional eight hours' day—Amongst miners—Effect of, on wages—On price—On profits—On rent.

LET us apply the theories we have been endeavouring to expound to the question of labour hours—to the question of a general eight hours' day, say. We have not seen any detailed arguments for or against such a proposal to restrict the hours of labour, though much has been said and written on it. The general argument, however, seems to be that while one section of the industrial world is overworked, another cannot get work at all, and that consequently if the overworked section were restrained, to the extent of that restraint would employment be thrown open to the other section. The avowed aim of an eight hours' day all round, as it is called, is to reduce the toil of those now working, and to make an opening

in the way of getting employment for those out of work. It is, therefore, no argument in favour of these shorter hours to say that the men now working would be more efficient, and that consequently as much would be turned out in the short day as in the long. What is really aimed at is the extracting of a less amount of labour per man from the toiling masses. Therefore, we must assume that under eight hours the produce of the labour of those now working would be diminished.

Suppose the produce of labour under existing hours to be represented by 100, and suppose it under eight hours to be reduced to 80. From whom, if this continued, would be withheld the difference? The mere fact that the results of labour were so much diminished would not affect the *rate* of wages. We have already shown that the *rate* of wages of labour bears no sort of relation to the results of labour, that it is governed entirely by the relationship between the quantity of labour offered and the quantity required. Obviously neither would this diminished output affect the *rate* of profits, as here understood, seeing that the *rate* of profits has as little connection with the results of labour as the *rate* of wages has. This is because in every creation of value a part goes to wages and a part to profits, and the only thing that can disturb the proportions of these parts to one another is not an increase or diminution of the value created, of the whole of which they are parts,

but a change in the *rate* of wages, as has been amply demonstrated. When men in a factory are put on half-time, neither the *rate* of wages nor the *rate* of profits is altered—the total wages and the total profits are very considerably reduced.

We are supposing the mere fact of so great a diminution as one-fifth—from 100 to 80—in the produce of labour through the shortening of hours to eight; and we have just seen that the rates of wages and profits would not thereby be disturbed. In every exchangeable commodity it must be remembered a part goes to the labourers, and a part to the employers; therefore at a given rate of wages and consequently a given rate of profits, the greater the number of exchangeable commodities produced, the higher will total wages be, and the higher will total profits be. Reduce the quantity of exchangeable commodities produced and thereby is reduced, not the rate of wages, but the number of portions of value that go to make a day's or a week's wages, and also, not the rate of profits, but the similar number of portions of value whose summation go to make total profits. We are now, according to the supposition, producing value represented by 100; let the rate of wages be such that half the value of each commodity goes to wages and consequently half to profits. Total wages are then 50 and total profits 50. Under eight hours the commodities produced are only 80, and the rate of wages, and consequently of profits, remains the same—a half each per commodity.

Labour will now receive 40 and profits 40. Thus, though the rate of wages will not have declined, yet will a man's daily or weekly wage have fallen one-fifth, or 20 per cent. Profits—total profits as we have called them to distinguish them from rate of profits—will also have similarly fallen.

Let us now suppose what advocates of an eight hours' day all round anticipate—viz., that, instead of production being reduced from 100 to 80, additional men will be employed. In the circumstances assumed the additional men required will be one and a quarter times the number of those now in employment. For every four men now working, there will then be five. This will tend to raise, and perhaps will actually raise, the *rate* of wages, and to the extent that it raises the *rate* of wages to the same extent will it diminish the *rate* of profits. A day's or a week's wages may not thereby be increased, however. Just now the result of a man's labour may be regarded in terms of value as 10. If the rate of wages be a half per each creation of value, then a man's total wages amount to 5. Under the shorter hours the result of a man's labour in terms of value will be 8; and if the rate of wages through the increased demand for labourers rise an additional eighth, so that instead of four-eighths of each creation of exchange value five-eighths go to labour in wages, then on his total production a man will receive eight times five-eighths or five—the same total wages as under the longer hours. If the *rate* of wages ascend less

than one-eighth per creation of value, then the total, or daily, weekly, etc., wages will be less than at present ; and if the rate ascend more than one-eighth, then total wages will be more than at present. In either case the rate of profits will be reduced and to the same extent as the rate of wages rises. In either case, too, the sum of profits or total profits will be reduced. If one-half of each creation of exchange value be the present rate of profits, then the rate of wages rising one-eighth, the rate of profits will sink from four-eighths to three-eighths. Produce being 100 as now, total profits will then be 100 times three-eighths, or $37\frac{1}{2}$ instead of 50.

This would lead to a great change in the pursuits and habits of the people. Employers, finding their incomes reduced, would have to diminish their expenditure and the expenditure of wage-earners would be increased. These expenditures being in many respects different, a change would follow in the relative magnitude of different industries. Those industries concerned with the production of objects on which wages are usually expended would be enlarged, while those concerned with the production of objects on which the incomes of the well-to-do are usually expended would be contracted. The contraction of these latter industries would throw men out of work ; whether, however, the expansion of the other class of industries would absorb an equal or a greater number of additional men is a practical question outside the field of

economic speculation and concerns the statistician and the statesman.

Another effect of enhancing the share of value that goes to labour in wages, would be to enhance the political power of the labourer. The industries that supply him with the objects he consumes expanding, the sympathisers with the claims of labour would be increased, while the sympathisers with and dependents upon receivers of profits would be diminished.

Of a similarly practical nature is the question whether an artificial restriction of the hours of labour would lead to diminished production or the employment of more labourers. Interference is usually resented by enterprise, and a country that hampers industry is not likely to benefit much from the initiative of its citizens.

As to a sectional eight hours' day that comes periodically before the legislature in the shape of an eight hours' mines bill. It is not for any specially economic reasons that miners are selected for protection; it seems to be because their work is severe and trying. People engaged in work that is severe and trying need no more protection than others. The severity of their toil is their protection, for it keeps down their ranks, and whatever keeps down their ranks keeps up the rate of their wages. To come at the question we state the difficulties as they have been stated by a friend of the proposed measure. He says: "The objection—the difficulty—is that, we are told, if the hours

of labour in mines are reduced to eight hours, the output will be reduced; and if the output is reduced one of two things must happen. Either wages will be reduced—and that is what I believe to be almost certain—or else the price will be raised, and then competition will come in, and competition will affect not merely coal-mining, but all the industries dependent upon the use of coal.” The foregoing is the utterance of an eminently practical man, and seems to be of very little use in the way of giving guidance.

To accurately gauge the effects of the measure, the proper course to adopt is to assume that the output will be diminished. The object of the interference is avowedly to mitigate the severity of the miner's toil. If he turn out as much coal in the shorter as in the longer hours, it may be that the severity of his toil will be intensified, just as many a man who can easily walk a mile in twenty minutes would be sorely and dangerously tried if he had to do it in fifteen. Moreover, if the output per man is not to be affected by a compulsory eight hours' enactment, the question ceases to be a question of public importance and becomes simply a question of re-organising the system of working mines—an important enough question for the managers of such concerns. Assuming, then, for the sake of arriving at definite conclusions that the shorter hours will mean a diminished output, we have to analyse the statement that “either wages will be reduced . . . or else the

price (of coal) will be raised." A miner being paid so much per ton turned out, it is a mere verbal proposition to say that if he turn out more his wages—total wages—will be more, and if he turn out less his wages will be less. The statement that the output will be reduced carries with it the statement that the day's or week's wages will be less. The wages that a miner may earn, however, are not dependent upon the amount of coal he turns out until *after* the *rate* of his wages has been fixed, until after the share he is to receive per ton is settled. Therefore, the important question is, what effect will a reduced output have upon this rate, upon the share he receives per ton: will the reduced output raise or reduce the rate? In answering this question we are not oblivious to the existence of those strange things called "sliding scales."

If the diminished output, consequent upon shorter hours of labour, be not sufficient to meet the requirements for coal, more miners will be set to work to increase the output. The effect of this will be to increase the demand for miners, and, if not to actually raise, at least tend to raise the rate of miner's wages. If a difficulty should be experienced in getting the requisite number of extra miners, the rate of wages might ascend considerably; if no such difficulty should be experienced, the rate might not ascend at all, but simply be stiffened. If, again, the rate of miners' wages increased, it would not long remain above the

wages in other similarly disagreeable and dangerous callings; because the increased wages would attract workmen to the mines, with the result that in no long time the rate of wages would fall to the ordinary level. The miners might thus for a brief period enjoy a little sunshine. It could not, however, be permanent; because the brighter the sunshine and the more alluring the miners' lot, the more certain would it be to draw labour to the pits and to replace the previous competition between employers for workers, which raises the rate of wages, by the old competition between workers for employers, which lowers the rate of wages. So much for wages.

As to the price of coal, which, in the event of wages not being reduced, is predicted to rise, that depends on several things. While the rate of miners' wages was abnormally high, as we have shown it might be, the price of coal would be high too, and the smallest possible increment to its price would be equal to the increase in the miners' wages. This is clear; for coal-owners would not be satisfied with less than the ordinary rate of profits prevailing in the country, and having to pay wages higher than the general rate, their profits would be less unless they got an enhanced price for their produce. It is likely, however, that the price would go up much higher than would be sufficient to recoup employers the increase in wages and leave them with the ordinary profit.

How much higher, no one can say, as it would depend upon how far below the requirements the reduced output fell. This high price, however, would be only temporary, inasmuch as the exceptional profits that coal-owners would be now making would attract capital to mining, with the result that the supply of coal would soon be equal to, and even exceed, the requirements. Just, then, as we saw with wages, so would it happen with the price of coal—wages would fall back to their old rate and coal to its old price—*perhaps*. The “perhaps” is meant to qualify the price of coal only.

Coal would fall back to its old price if the additional miners that had to be employed in consequence of the present miners, through working shorter hours, not being able to turn out enough coal, could be as productively employed as the present miners. Mines that are now worked enjoy very different degrees of advantage. Perhaps in the most advantageously situated mine the labour expended upon a ton of coal ere it reaches the market is only half the labour that is expended upon a ton from the least advantageously situated; yet the price of the coal—supposing them to be of equal qualities—from each of those mines is the same, and the price is regulated by the difficulty of getting it from the worst mine. This is evident, for those who work the worst mine would soon cease unless they were reaping the ordinary profits. Now, if these additional miners that an eight

hours' enactment called into action should have to be employed in mines that are less advantageously situated than the least advantageously situated mine worked at present, then the price of coal will be raised permanently. Even though recourse may not be had to new mines if the additional men cannot be employed as productively—*i.e.*, if for a given amount of labour the return be less—as the present, the same effect will follow: a permanent rise in the price of coal. In addition to this, the rents of coal-mines will be increased.

We have excluded from consideration the possibility of coal supplies from foreign countries, in consequence of the enhanced price of coal here. That, though adverse to the coal trade of this country, might not be adverse to the trade of the country at large. Omitting this point, we may summarise the effects of a mines eight hours' measure to be:—

1. A reduced output of coal. If the output were not reduced, matters would remain as they are, except that miners would do as much work in eight hours as they now do in nine or ten, and that employers' profits would be temporarily increased on account of economies due to keeping the mines at work a fewer number of hours.

2. A rise in the rate of wages.
3. A rise in the price of coal.
4. A rise in employers' profits.
5. Wages fall back to old rate.
6. Coal to old price, except in case of No. 8.

7. Profits to old rate.

8. If extra men employed to keep up output be less productively employed than present men coal will not fall back to old price.

9. Assuming No. 8 rents of mines will rise.

Thus, then, miners will be no better off pecuniarily under eight hours than they are. There will be more of them, and when the rate of wages relapses, their individual earnings will be less. The public may be worse off in having to pay more for coal, and if this be so, the only class that will permanently benefit will be the receivers of rents from mines. Besides, there would be the additional public burden of enforcing the measure and detecting infringements of its provisions. This, of course, is a recommendation in the eyes of persons looking for official appointments.

CHAPTER X.

ABRIDGMENTS OF LABOUR A SPUR TO PRODUCTION.

End of production to consume—Carlyle on over-production—The “dismal science”—Malthus, Dr. Chalmers, and Mill on over-production—Converse of over-production—Under-consumption—Naked effect of improvements—Extinction of small industries—Impulse that swept away the Corn Laws—Limit of a nation’s market.

THE end and aim of production is that we may consume and enjoy. For no other end do we labour; yet the means, even in this case, as so often happens, seems to have become confounded with the end. This confusion has led to what is termed over-production. Regarding over-production, Carlyle says:—“But what will reflective readers say of a governing class, such as ours, addressing its workers with an indictment of ‘Over-production!’ Over-production: runs it not so? Ye miscellaneous, ignoble manufacturing individuals, ye have produced too much! We accuse you of making over 200,000 shirts for the bare backs of mankind. Your trousers, too, which you have made of fustian, of casimere, of Scotch plaid,

of jane, nankeen, and woollen broadcloth, are they not manifold? Of hats for the human head, of shoes for the human foot, of stools to sit on, spoons to eat with—nay, what say we—hats or shoes? You produce gold watches, jewelleries, silver forks, and epergnes, commodes, chiffoniers, stuffed sofas—Heavens, the Commercial Bazaar cannot contain you. You have produced, produced; he that seeks your indictment, let him look around. Millions of shirts and empty pairs of breeches hang there in judgment against you. We accuse you of over-producing; you are criminally guilty of producing shirts, breeches, hats, shoes, and commodities in a frightful over-abundance, and now there is a glut and your operatives cannot be fed!”

Such scornful exclamations do not assist us much, so we shall return to the “Dismal Science.” By the way, it is perhaps time to correct the mistaken notion that political economy was so dubbed because it is dreary stuff to read; not at all. Carlyle gave it this name because it holds out, as hitherto expounded, no prospect to the human race of a release from the irksomeness of their lot. It is a “dismal” prospect, and has it not so far proved correct? Let us, however, understand this curious phenomenon, over-production.

Hitherto political economy has not been very successful in explaining over-production. In fact, in this country only Malthus, curiously enough, and Dr. Chalmers seem to have considered it a

reality, and all the guidance they have been able to offer is that capitalists should restrain themselves in their pursuit of gain, and should moderate their enterprise, while the rich should spend their money freely upon luxuries and in other so-called unproductive ways, so as to give employment to the poor. Mill explains it away, or rather endeavours to explain it away, and seems to think that increased accumulation and increased production might continue "until every labourer had every indulgence of wealth consistent with continuing to work"; "thus," he goes on, "the limit of wealth is never deficiency of consumers, but of producers and productive power." Such statements may be all very well; they are, however, not quite applicable to the world of fact. We know, for instance, that "increased accumulation and increased production" have now long gone on; we do not, however, see any increase of power on the part of labourers to indulge in luxuries. Do we not rather find that our "increased accumulation and increased production" is accompanied with an appalling increase of poverty? Then, as to there never being a "deficiency of consumers," every country is clamouring for consumers, and is prepared to go to war for them or markets, as they call them.

Again, it is maintained that, while there may be over-production as regards one or more kinds of commodities, there cannot be over-production in all kinds so long as there is a human want unsatisfied. It is, for instance, said to be impossible

to have an over-supply of food so long as millions of our fellow-men are in need of the barest necessities of life. If there be any strength at all in an argument like this, it would follow, or rather it is implied in such argument, that the mere need, the mere human desire, for any given commodity, or, if you like, any necessary commodity, is sufficient to set the machinery in motion to produce it for the satisfying of that need. Here is a man with an empty stomach and in need of a meal; this of itself is, on such grounds, sufficient to procure such meal; or here is another man with a bare back and in need of a coat—this is enough to procure him the coat. Now, it must be plain to every one that those who have nothing to offer but empty stomachs and bare backs cannot influence in the slightest degree the quantity of food that may be produced or the quantity of coats that may be made. Is any farmer going to plough and sow a field for men that come to him with nothing except empty stomachs? or is any tailor going to make coats for men that have nothing to show but bare backs?

It undoubtedly seems absurd that a community should suffer from over-production while large or small numbers of its members suffer from want. The real trouble of a community in such a position would seem to be better described by the word "under-consumption"; and this, it will be found, is the converse way of putting the fact sought to be expressed by over-production. Another fact that

must be taken account of here is the presence of an unemployed class—men and women anxiously desirous of obtaining work and unable to find it. This fact leads to another proffered explanation of our troubles—viz., over-population. Now, these two explanations—over-production and over-population—are manifestly contradictory, yet will they be offered almost in the same breath by the same parties. We defer the population question for consideration in a subsequent chapter.

Let us now endeavour to give precision to what underlies the vague word “over-production.” This is a word one hears in times of bad trade, when the shopkeeper stands at his door waiting for customers that do not come, when the millowner puts his hands on half-time, when the shipowner sees his ships idle in dock, and when the merchant is at a standstill with unsold cargoes. In such times, too, many of the working classes lose their employment, and are bereft of power to consume. It would thus seem that bad trade results not from a diminution in our power to produce, for all are eager to do more, but from a diminution in our power to consume. In some way or another production seems to have out-spiced consumption; we seem to be able to make things far more quickly than we can use them, to be too efficient and too ingenious. There is a scarcity in nothing at such times except work, and the reason that work is scarce is that there are more things made than can be got rid of. Accustomed to hear the hard lot of

man accredited to the niggardliness of nature, we find this not easy of understanding; yet it must be so in view of the fact that the only thing that men are crying out for is work! If anything else were needed, men would be needed to produce that thing. There is even an abundance of food, which is in consequence so cheap that farmers complain they cannot get a remunerative price for their produce. A consideration of the foregoing facts should remove any doubt as to the truth of the statement that nothing is scarce except employment, and that employment is scarce because everything else is abundant. How this comes about is the grand question of the day; and upon its solution depends the continued progress of humanity. Being entirely an economic question, it must here be faced and the "dry light" of science shed upon it.

The *rate* of wages, it will be remembered, is fixed by competition—the more workmen seeking work relatively to the work to be had the lower will the rate of wages descend, and the more work requiring doing relatively to the number of men seeking work the higher will the rate of wages ascend. The two extreme points between which wages so fixed may fluctuate is the minimum point where wages are just enough for the labourer to subsist on and the maximum point represented by the equivalent value of the produce of his labour. Let it also be remembered that *rate* of wages is what the labourer receives per creation of

exchange value, as already explained, the remainder of such creation being the *rate* of profits.

With such a method of remunerating labour in vogue, let us suppose a community whose every member is in employment, and whose every member has all his wants supplied. Let now an improvement be introduced into one of the industries of that community so that three men now do what was formerly the work of five. This improvement may be easily regarded as resulting from the simple discovery that two men out of five had been engaged in doing something that was quite unnecessary, and to, therefore, cost nothing but the mere effort to utter the words of dismissal to two-fifths of the men employed in this industry. Let us call the industry spinning. Before the improvement let the rate of wages, and consequently of profits, be $\frac{1}{2}$, and let each man's daily production be 10; then each man's daily wages will be 5, and the daily profits on each man's labour will be 5. With two-fifths of the spinners thrown out of work and deprived of the means of supplying their needs, there would be a strong tendency for wages to fall. We shall suppose them to remain stationary.

Let x represent the produce and y the number of operatives at work before any abridgment in the labour of this community took place. The rate of wages, and consequently of profits, being $\frac{1}{2}$, total wages and total profits will each be $\frac{1}{2}x$, and each labourer's wages will be that divided by y or $\frac{x}{2y}$.

The number of operatives being y , on the abridgment coming into force there will be rendered unnecessary the labour of two-fifths of the men, or two-fifths of y —*i.e.*, $\frac{2y}{5}$, who will be discharged. The wages per man employed remaining the same—*viz.*, $\frac{x}{2y}$, and the number of men being reduced to $\frac{3y}{5}$, the total that goes in wages will be the number employed multiplied by what each receives, or $\frac{3y}{5} \times \frac{x}{2y} = \frac{3x}{10}$. The total produce of the diminished number of men employed remaining at x , there will now remain for profits $x - \frac{3x}{10}$, which equals $\frac{7x}{10}$. But half x or $\frac{5x}{10}$ was, by the supposition, sufficient to satisfy every need of the receivers of profits before the improvement; so unless they develop or acquire new and additional needs, $\frac{2x}{10}$ or a fifth x of the profits they now receive will be superfluous. Suppose, for the present, these new and additional needs not to be acquired; then, the surplus produce being $\frac{x}{5}$, all that it will be necessary for employers to produce now is $x - \frac{x}{5} = \frac{4x}{5}$. The only way for them to produce $\frac{4x}{5}$ instead of x is to further discharge labourers.

How many labourers will be discharged now?

$\frac{3y}{5}$ men producing x after the introduction of the improvement, the number required to produce $\frac{4x}{5}$ will be four-fifths of $\frac{3y}{5} = \frac{12y}{25}$. The number employed being $\frac{3y}{5}$, and the number required being only $\frac{12y}{25}$, the number to be discharged will be $\frac{3y}{5} - \frac{12y}{25} = \frac{3y}{25}$. Thus the number of the unemployed will now be $\frac{2y}{5} + \frac{3y}{25} = \frac{13y}{25}$, just over the number of those in employment.

Those employed will now number $\frac{12y}{25}$, and the produce of their labour will be $\frac{8x}{10}$ or $\frac{4x}{5}$. Wages per man being $\frac{x}{2y}$, the total that goes to wages will now be $\frac{12y}{25} \times \frac{x}{2y} = \frac{6x}{25}$. Deduct this from the produce: $\frac{4x}{5} - \frac{6x}{25} = \frac{14x}{25}$, which now remains for profits. But $\frac{x}{2}$ is all that receivers of profits can (*ex hypothesi*) utilise, therefore, a surplus again—viz., $\frac{14x}{25} - \frac{x}{2} = \frac{3x}{50}$, and a still further discharge of labourers follows. Theoretically, this process may go on *ad infinitum*.

The naked and pure effect, then, of abridgments of labour, in a community where the produce of

labour is apportioned and controlled as amongst ourselves, is to diminish the power of consumption. This statement may appear to be opposed by all the concrete facts that our own time, with its unprecedented abridgments in the labour of making every product of industry, has witnessed. So also is Newton's law, that a body once set in motion will move for ever, opposed by all experience. The pure and unadulterated effect of abridgments in industrial processes is to throw labourers out of work, and thereby reduce our consuming power at the very time our producing power is increased. We seize with one hand increased power, and filch it away with the other. It is this that drove the seer, Carlyle, to exclaim :—"Our wealth is an enchanted wealth !"

In the making of cotton, by the supposition, three men are able to do the work that formerly required five ; in other industries no improvement is supposed to have been introduced. The rate of wages, and consequently of profits, in these other industries remains therefore at half. When the improvement took place in cotton spinning, we saw, contemplating this industry in isolation, that the rate of wages would fall at least to three-tenths, and the rate of profits rise at least to seven-tenths. This arrangement would not remain—indeed, it would not arise in a community with a multiplication of industries ; for why should employers of cotton spinners receive for the work of three men the equivalent of the work of five ?

If the rate of profits in other industries be only half, while the rate in cotton spinning rose to seven-tenths, then would this additional profit attract additional capital to cotton spinning, with the result that the produce of three cotton-spinners would be reduced to the same exchange value as the produce of any other three workmen. Thus what stood at 50 before, the produce of five cotton spinners' labour, would now fall to 30, the produce of three men's labour.

If now, with two-fifths of the cotton-spinners out of work, the rate of wages remain the same—viz., half, so also will daily wages remain at 5. The rate of profits, too, being $\frac{1}{2}$, daily profits per man employed will be 5. Now the employer of cotton-spinners, having three men where he formerly had five, though the rate of profits remain the same, will receive only 15 where he formerly received 25. His total profits will have declined two-fifths; where he formerly received a pound, he will now receive only twelve shillings. Now, no man can suffer to see his income reduced by two-fifths with indifference. How then is he to maintain his income at its old figure? Only by employing the same number of men as before, because only in this way can the total produce be maintained at the same equivalent value as before. But if the same number of men be still employed when three do as much as five, then two-thirds more cotton will be produced. The

lower exchange value of cotton would help it to a wider market. But as improvement succeeded improvement, and employers are goaded on to further increased production, a time would evidently come when more than mere cheapness would be required to enable consumption to keep pace with production. Improvements in production are thus, through lessening the exchange value of a given quantity of the product, a spur to capital to increase the product. Further, they make production on a small scale impossible.

Before the introduction of the improvement whereby three men were enabled to spin as much cotton as five, an employer of five cotton spinners might derive a sufficient income from the profits of the enterprise. Suppose that this man became early aware of the improvement, he might be imagined as communing with himself thus:—"This improvement will enable me to spin my cotton with the aid of three men instead of five. Two men I shall thus be able to do without, and so shall be able to keep their wages in my pocket. I should, therefore, be a fool not to adopt this improvement." So long as he alone adopts the improvement, so long may he be satisfied with the former quantity of cotton that he produced, for so long will he remain in possession of his former income together with the addition of the wages of two men. Let the adoption of the improvement become general, however, so that the exchange value of cotton is reduced, then our

friend will find himself obliged to increase his business or shut up his establishment.

Five men under the old style produce each an exchange value of 10, or total of 50. The rate of wages is $\frac{1}{2}$, and consequently the rate of profits is $\frac{1}{2}$. The income of the employer of five men would therefore be 25, and the income of each workman would be 5. So long as this employer alone adopted the improvement he could safely take matters quietly, could discharge two of his five men, and add their wages—viz., 10—to his profits and so enhance his income from 25 to 35. In this one establishment there would have been a change in the rate of wages and profits. Each man now produces an exchange value of one-third of 50, or $16\frac{2}{3}$; and if the rate of wages were still $\frac{1}{2}$, each man would now receive an hourly, or daily, or weekly wage represented by $8\frac{1}{3}$ —an increase of $3\frac{1}{3}$. But there is nothing to cause this increase; on the contrary, if there be anything in the new circumstances to disturb the rate of wages, it is the circumstance that two men previously employed would be now seeking employment, and to that extent the rate of wages would be influenced downwards, if influenced at all. The hourly, daily, or weekly wage per man, then, remaining at 5 and each man producing an exchange value represented by $16\frac{2}{3}$, the rate of wages in this particular establishment would be $\frac{5}{16\frac{2}{3}}$ or $\frac{15}{50}$ = three-tenths and the rate of profits seven-tenths.

Let now the improvement be generally adopted and let this particular employer be still satisfied with his former production, as many easy-going employers have been. It is evident that the exchange value of the produce of the labour of his three men will no longer remain at 50, but will descend to 30, the equivalent of the exchange value of the produce of any other three men. Rate of wages remaining the same—viz., $\frac{1}{2}$, and consequently rate of profits remaining the same—viz., $\frac{1}{2}$, there will go hourly, daily, or weekly to wages 15 and to profits 15. But before the improvement the profit of the employer of five men amounted to 25; and if this were only sufficient for him to pay his way with, then the improvement will compel him to shut up his factory or increase his business. The greater, too, the improvement, the more abridgment in labour it effects, the more he will be obliged to expand his business to retain his former income.

This is how improvements have led to the extinction of small industries and to the building up of colossal establishments, inconceivable before the era of machinery. It was this powerful impetus, too, whereby improvements compel production on an ever-expanding scale, that swept away the corn laws in this country. Manufacturers being obliged with every successive improvement to seek wider and wider markets, chafed under the protection that kept grain out of this country and prevented them from sending their commodities abroad to

pay for that grain. The power of the impulse that drove them forward may be judged from the power they overthrew—hitherto the only consolidated power in this country, and the prejudices they overcame. This element in improvements, then, compelling capital, if it would hold its own, to operate on a scale of ever-increasing magnitude, is one of the causes of what has been called over-production.

Now this can go on with success only so long as an ever-widening market is available, and the widest market open to any country is limited by the extent of its own. The produce of the labour of this country is of no use except to be consumed in this country or to go to other countries in exchange for their produce. Merchants do not bring produce to this country for the mere sake of bringing it. They do not bring what cannot be sold, and when we have as much as we can consume in this country, we are thereby precluded from being customers to another country. The fact that a country's market is limited by the extent of its own is exemplified by the contraction of agriculture following on the expansion of our manufacturing industries. It is, as will be shown more clearly later on, our manufacturers and not foreign farmers that have competed so successfully with our farmers and driven them from the market. Our own power to consume, then, being the limit of our power to produce, it behoves us now to examine further the effect of improvements upon the power to consume.

CHAPTER XI.

ABRIDGMENTS OF LABOUR A CURB TO CONSUMPTION.

Effect of improvements on wages—How rate would be reduced—Labour's opposition to improvements—Influences leading to their adoption—Effect of improvements on profits—Remarkable increase in productivity of labour—How to compare wages at distant periods—Appalling task of profit-receivers—Genesis of "pushing business"—Significance of bankruptcies—An unproductive struggle—Benefits from it—Cause of increased population under adverse conditions.

WE have shown that each successive abridgment in the labour of making commodities acts as a spur that will not be denied upon industry to increase the magnitude of its operations and to throw more and more goods upon the market. We have now to inquire whether these improvements at the same time afford opportunities for a larger consumption. In one obvious respect they do. They lower the exchange value of the commodities affected and so put them within reach of a greater number of people. Is the increased power to consume brought about in this way

equivalent to the increased power to produce effected by the improvement? To answer this we must consider the effect of improvements upon wages.

In our previous examination of the economic effects of a supposed improvement in cotton spinning whereby three men were enabled to do the work of five, we assumed that rates of wages and profits would remain undisturbed. They would assuredly not so remain. First, the price of cotton going down, the minimum point to which wages might fall would thereby be lowered and, besides, there would be increased competition for work. This of itself is always enough to keep wages down, and if wages be much above the minimum and any circumstance occurs to bring competition for work into play, down they must go—especially when prices are falling and employers can say, "See how much cheaper you can live to-day," or "See how cheaply we are obliged to sell." It is beside the point to object that machinery and improved methods lead to extended employment—that happens only with an extended market, and we are considering whether the market extends *pari passu* with the production. Improved methods are adopted because they abridge labour, and to the extent they abridge labour and as methods of so abridging labour they must be regarded as in the first instance contracting the field of employment. No man seeks to sell a machine on the ground that it will give employ-

ment ; on the contrary, he presents it as a labour-saving machine. We are not blind to the fact that the era of machinery has seen undreamed-of expansions in the field of employment. These expansions, however, will fall to be discussed in due course.

Suppose now, and there seems every reason for thinking the supposition to be in accordance with fact, that the improvement in the making of cotton, with the consequent discharge of two-fifths of the cotton spinners, led to a reduction in the rate of wages. This will be the more readily granted, perhaps, if we observe how such an improvement would be introduced in actual practice. The more enterprising of the employers would be the first to learn of the improvement and to adopt it. Thereby they would be able to undersell their more easy-going rivals. The weaker of these, with means maybe insufficient to equip their establishments with the improvements, would, finding prices falling, be induced to approach their men and to point out the precarious position they were in, and that unless the men suffer a reduction in wages they will have to close their works. The men, rather than be thrown out of work, submit. This may go on for a little while ; it cannot last, however, under the new conditions. The early and enterprising adopters of the improvement are soon driven to fill the market and the others are compelled to shut up after all—not, however, before they have at any rate set the fashion of a reduced

wage. The minimum point to which wages may descend being lowered by the cheapening of commodities through improvements, men being, at least temporarily, thrown out of work and so increasing the competition for work, and employers finding that with the same production their incomes were reduced—it would be singular if a fall in the rate of wages did not happen. Besides, history bears us out, as shown by the violent^m opposition offered by operatives to machineryⁿ at its first introduction on an extensive scale, when it must have been borne in upon them as threatening in some way or other their means of living.

It is always difficult to say what actually happens in the world of practice. Even history gives us divers accounts of the same occurrences. It is, however, easy to understand that the motive influencing an employer to adopt an improved method of production would be the prospect of saving labour, of saving wages, and being himself by so much a gainer. He would not in the first instance think of selling his commodities at a lower price. No man ever thinks of doing this; on the contrary, he always tries to get as high a price as he can, and is induced to forgo the full extent of his demands only by competition. Neither would the thought of having access to a wider market influence him at first. He would remember the difficulties he had already experienced in getting rid of all the commodities he had been wont to produce, and, except in times of prosperity, the

advantages of a labour-saving machine would not appear to lie in the greater quantity of commodities he would thereby be enabled to turn out. Moreover, after an improvement in the production of a commodity has been introduced, it takes some time for competition to beat the article down to its equivalent value, and even then it only gradually finds its way into more extended use. People who, on account of the high price of an article, have been accustomed to do without it all their lives, and who are perhaps ignorant of its merits or uses, do not rush to acquire it the moment it comes within the range of their means. They often, on the contrary, sneer at new-fangled notions, and consider that what was good enough for their fathers is good enough for them. These remarks are more applicable to former days than now; and now they are more applicable to people living in remote districts than to the dwellers in towns.

It must, then, be abundantly clear that introductions of labour-saving machinery would lead in the first case not to a cheapening of the commodities affected, not to an increased market for them, but to a reduction in the quantity of labour bestowed upon them; in other words, to a reduction in the number of men employed. This would lead to a reduction in the rate of wages and a corresponding expansion in the rate of profits. To take our old example, whereby three men were made as efficient in cotton-spinning by an improved method as five, we shall be near enough the truth if we assume

that two-fifths of the cotton-spinners would lose their employment, and with the loss of their employment they would lose their power to consume. The power of consumption, then, would be lessened by the extent of the power to consume formerly enjoyed by two-fifths of the cotton-spinners.

Wages per period of time, we have already advanced sufficient reasons to show, would not rise. The improvement has been adopted with a single eye to saving labour, and therefore two-fifths of the wages. Employers have not yet even contemplated reducing the wages of the men they retain. The rate of these wages is one-half and the period wages, each man's creation of exchange value being 10, is 5. The period wages will for a short time remain at 5, and for a short time also the exchange value of three cotton-spinners' labour will remain at the figure of five men's labour—viz., 50. Of this 50, 15 will go in period wages to the three men and 35 to profits—the *rate* of wages will thus have fallen from one-half to three-tenths and the *rate* of profits have risen to seven-tenths in this particular industry. Periodic—*i.e.*, hourly, daily, or weekly—will appear to be the same, though the rate in the case supposed is two-tenths, or one-fifth less. Indeed, though the *rate* of wages be so much lower, periodic wages will have actually risen, if they remain the same, after the improvement has begun to tell on price, and the subject of the improvement is an object of the labourers' consumption.

The rate of profits will rise, as stated, from one-half to seven-tenths; total profits will rise from 25 to 35.

By-and-by, the rate of profits in other industries remaining at one-half, employers would be attracted to cotton-spinning with its higher than ordinary rate of profits, and the consequent increased competition would bring the price down and the rate of profits to the ordinary level—unless, indeed, the competition amongst the already existing cotton-spinners had not of itself brought them down ere now. Before the rate of profits had reached this level master cotton-spinners whose production had not increased would find their incomes less than before the improvement. When the exchange value of three cotton-spinners' labour had fallen to 40, and while it was thus still 10 above its equivalent value, 15 having gone out of that in wages, 25 would be left for profits—the same as was received out of the produce of five men's labour. From this point (40) down to 30, the equivalent value of three spinners' labour and the point to which their produce would have to descend, the employers would find their incomes declining until, if they still continued to pay each man the same wages as before the improvement, viz., 5, to their dismay they found the labour-saving methods had reduced their incomes by two-fifths, they receiving only 15 where they had originally received 25. Long before this, however, with plenty of free competing labour in the market, they would in self-defence

have had to accept men at lower wages, and this would take the form of either actually reducing wages or working the men a greater number of hours.

It is not extravagant to suppose that the application of electricity and steam to industrial processes, the various mechanical devices, improved business methods, and all the facilities for promoting exchange, so familiar in these days but undreamed of by our fathers, have reduced the labour bestowed upon commodities one hundredfold.¹ That is to say, if we take the commodities then dealt in, and suppose these same commodities to be still produced and placed in the market at the same outlay of labour now as then, they would require a hundred times the amount of labour they entail to-day. If we suppose money to be of the same exchange value, they would thus be in given quantities a hundredth part of the price they were then. Now, if the men who made these commodities before the extraordinary inventions of modern times had lived and worked on and the rate of their wages had not altered, their total or period wages, as we have also called it, would have risen

¹ Some years ago I extracted this from a newspaper :—"Mr. Carol D. Wright, the eminent statistician and head of the Labour Bureau at Washington, calculates that whilst during the past forty years hours have been reduced 20 per cent., production, owing to the improvement of machinery and the high pressure at which work is carried on, is 500 per cent. greater; that is to say, one man aided by machinery will now do the work of 500 men ten years ago."

a hundredfold—they would be a hundred times higher than they were. If x represents the produce in those early days, the produce now of the same labour would be $100x$. If the rate of wages in those early days were one-half, total wages, then only $\frac{x}{2}$, would now be $50x$. Then, too, total profits would have been $\frac{x}{2}$; whereas now they would be $50x$. But does any one suppose that the wage-earner of those early days was 100 times poorer than the wage-earner of to-day? That the labourer who now receives £75 a year is the descendant of a labourer who received only a hundredth-part of that—to wit, 15s. a year? Yet that is the conclusion that we must come to if our contention that the rate of wages is lowered by improved methods be not true. If our supposition that labour has been abridged a hundredfold be considered extreme, reduce the abridgment to only a fiftieth, and then we have the early labourers living for a year on the equivalent of what is now 30s. Let the abridgment be reduced only to one-tenth, then these early labourers lived and brought up families on the equivalent of what may now be had for £7 10s. a year; and if to a mere fifth, then on the still impossible sum of £15 a year.

Nearer the truth, however, and still well within it, is our original supposition of an abridgment to a hundredth. The same commodities as those in early days appeared in the market, now appear

at an outlay of a hundred times less labour. Let us suppose these commodities and no others to be now produced, and to be produced by the labour of the same number of men, and so in a hundred times greater quantity. In the early days the rate of wages was one-half, and so, in consequence, was the rate of profits. The total produce being x , total wages and total profits would each be $\frac{x}{2}$. There being no reason why wages should rise with the introduction of labour-saving methods, we shall suppose that they do not fall. Total wages, therefore, would still be $\frac{x}{2}$, with produce enhanced a hundredfold—viz., to $100x$. The remainder of this produce—viz., $99\frac{1}{2}x$, goes to profits, and profit receivers have to get rid of it—else comes stagnation.

To get rid of this increased produce is an appalling task, in which the labour that produced it can assist not one iota. The power of that labour to consume is gone when it diminishes the total product from $100x$ to $99\frac{1}{2}x$. Suppose a sudden increase in production from x , which is divided in equal parts between wages and profits, to $100x$, of which $\frac{x}{2}$ goes to wages and $99\frac{1}{2}x$ to profits. Commodities to the extent of $\frac{x}{2}$, after labour's share was withdrawn, filled the market before. Where is the market for 199 times that

quantity? This must be disposed of entirely amongst the sharers in profits, and will entail upon each of them 199 times the consumption they have been accustomed to. No man can suddenly begin to wear 199 times more hats, 199 times more boots, and 199 times more clothes than he has been habituated to.

After each profit-receiver had supplied his customary wants, he would thus find himself still possessed of 198 times more produce than he ever had previously to handle, and his chief concern now would be to dispose of it. This surplus produce would become an apple of discord. Each hatter, *e.g.*, would become more active in seeking customers, and would regard every other hatter that sold a hat as to that extent depriving him. Each would thus by himself or by the employment of agents go about soliciting patronage, and the buyer of an article, though as much a seller in reality as the other party, would be looked upon as in some sort a contributor to profits. Hence would arise the common notion that profits are made out of sales. These efforts to find customers resulting from competition between employers would lead to the creation of the great army of commercial travellers, canvassers, advertisers, to hawking, peddling, and the multitudinous methods described under the general phrase, "pushing business." All these would be paid for out of profits and could not in any way add to exchange value or price. It is thus a mistake to suppose

that the enormous outlay on advertising and commercial travellers enhances prices. On the contrary, the more extensively these methods of pushing business are engaged in, thereby is implied a keener competition for patronage, and this leads to frequent sales of commodities below their equivalent value so as to attract purchasers from rivals.

The army, or rather armies, that different consolidations of capital thus enrol only swallow amongst themselves what employers have already won from labour. Hour by hour and day by day these armies engage in battle, and hour by hour and day by day down go capitalists, as the records of bankruptcy courts testify. These are the records of defeats, as the palaces of millionaires are of victories. "No man feels himself safe or satisfied," as Carlyle said, and no man surrounded with so many raging battlefields can feel himself "safe or satisfied." These struggles, of course, neutralise the bare effect of improved industrial processes, which, as we have shown, is to contract the field of labour. They, in fact, create a greater field for labour than the field of mere production. What would railway companies, hotels, etc., be without those that travel on business—business being usually the maintaining of one consolidation of capital against the possible onslaughts of others? What would the periodical press be without advertisements? Yet the labour, the extraordinary output of energy and ingenuity, the clever, keen,

sharp struggle on the part of these vast arrays under the banners of different capitals, is entirely unproductive.

Though the struggle of capital with capital is thus unproductive, and though its essential aim be merely to get rid of the produce of labour advantageously, there are yet benefits that accrue from it. It doubtless leads to the spread of enlightenment through the increased intercourse it promotes between different sections of the community and between different communities. It also stimulates set education, it being impossible for any one illiterate to take any great part in this struggle. There are other effects, but the effect that chiefly concerns us is that it makes possible an increased population. The naked effect of improvements in production, as already shown and as will be more clearly revealed in the next chapter, is to cut down the possible population; and we have now harmonised that effect with the fact that population has gone on increasing in spite of abridgments in labour, by showing how capital fighting with capital calls into being a multitude of wage-earners that may be greater than those engaged in the field of pure production.

Another cause enabling the population of a community to expand in spite of labour abridgments is the development of new and additional tastes. People are required to minister to these tastes, and the ever-increasing returns to receivers of profits enable such people to be supported.

These ever-increasing returns, moreover, enable the receivers of them to maintain larger establishments, also to surround themselves with more numerous retinues of servants, to patronise more palatial places of entertainment, and to encourage whatever talent it may be the fashion of the hour to enjoy. All these tend to upset the naked effect of labour abridgments. To analyse exhaustively, however, all the influences that contribute to neutralise the effect that the simple shortening of the processes of production has in narrowing the field of employment, would involve a knowledge of detail that I do not enjoy.

CHAPTER XII.

THE POPULATION QUESTION.

Twofold character of the struggle for existence—Unproductive and productive—Magnitude of the unproductive struggle—Meaningless views of nature—Malthus on population—The value to economic science of his speculations—Malthusians—Their limit to population and Malthus's—Its absurdity—The survival of the fittest—An identical statement—What is really meant—The type best fitted under present industrial conditions—Uselessness of legislation—Man's control over his future.

THE human struggle for existence has hitherto been of a twofold character—the struggle of man with man and the struggle of man with nature. The struggle of man with man which makes up the bulk of what is recorded in history is economically a barren and unproductive struggle. It is the pre-civilisation struggle, the struggle that one dog has with another for a bone. Not only is such struggle unproductive—it often results in the loss of the bone, and so is positively wasteful. The struggle with nature is, on the contrary, the only productive struggle, and takes the form of labour, muscular and mental. Hitherto economists have

explained unproductive labour to be that labour which results in the production of commodities that administer to our enjoyment, and productive labour to be such as results in an increase of capital. It is not easy to see what purpose political economy is served by such a distinction. According to it, the labour expended upon the making of a toy is unproductive, while the labour expended upon instruments designed to make toys would be productive. This is, as it were, to exalt the means of attaining an end above the end itself. The labour that is expended upon a toy may be as productive as the labour expended upon a bridge. The bridge may or may not become more useful than the toy; but with that political economy has nothing to do. Each man and each group of men must be left, so far as our science is concerned, to decide for himself and itself whether at any given time and under any given circumstances the making of toys or of bridges shall engage his or its attention. The distinction we here draw, on the other hand, viz., that unproductive labour is the labour involved in the struggle of man with man, and productive the labour involved in the human struggle with nature, shows at once that if man wishes to increase the number of toys or other means of enjoyment and bridges and other things that serve his purposes, he must fight less and less with himself.

In all ages the unproductive struggle has engaged more of the attention and energies of mankind than

the productive. In early and unsettled stages of society this unproductive struggle is seen in the continual warfare that community wages with community. These wars, of course, originate in the well or ill-founded belief that in some way or other the advancement of the interests of the one community is inimical to the interests of the other. Later the unproductive struggle assumes the form we have already described in the competition of capital with capital. Even then, however, each community is instant and ready to go to war the moment it apprehends any detriment to its trade through the action of another community. This preparedness for war is another element in the field of unproductive labour, helping to neutralise the shrinkage that pure labour-saving devices result in. In the face of facts like these, it is extraordinary that the belief that nature is a niggard should so widely prevail. It is to the niggardliness of nature that the hard lot of man is ascribed, and he is represented as having to put forth well-nigh intolerable exertions to wring sustenance from her unyielding breast.

Whether nature be parsimonious or profuse is about as relevant a question as whether she be wet or dry or black or white. Physicists are never guilty of saying of nature such things as that she is quick or slow or strong or weak. True, they deal with motion and find that bodies have different velocities; they also deal with force and weight and momentum, but this never leads them to inquire

how heavy or strong nature may be; yet such an inquiry would be not more irrelevant on their part than are the speculations of economists as to the poverty or the wealth of nature. Nature is neither poor nor wealthy, neither niggardly nor bountiful. True, certain soils and situations on the face of the earth are more suitable than others for certain purposes, but the conditions that make them so render them less suitable for other purposes. The polar bear would think nature very unkind if tropical heat and generosity pervaded the whole surface of the earth; and the animals of the equatorial regions would think her an equally stern mother if Arctic cold and sterility became universal.

The only sort of meaning one can give to such phrases as the niggardliness of nature is that if we had less cold, and less heat, and less sunshine, and less wind, and less light, she would be more niggardly than she is now; and if we had more of these gifts, or rather had them in an intenser degree, she would be more bountiful. Nature might be so bountiful in the matter of wind and blow such gales that nothing we could construct would withstand, and that navigation would be rendered impossible. She might be so bountiful in the matter of heat as to scorch us up, and in the matter of light as to dazzle us and make vision impossible. She might again be so bountiful in point of fertility of soil that the efforts of man to keep vegetation under would be unavailing and

make him sigh for more sterile fields. Indeed, even with all her so-called niggardliness she provides us sometimes with soils too rich to grow wheat on—the cereal that requires a richer soil than any other—and obliges the farmer, unless he would see his wheat crop lodged on the ground and made impossible of harvesting, to exhaust its richness somewhat by a root crop. Yet Malthus bitterly lamented the sparing gifts of nature. To complain of nature is to complain of the conditions that have made us what we are and of the only conditions that we are capable of living under.

It is always necessary, in discussing the question of population, to go back to Malthus, who under the influence of the circumstances of his time and the demoralising effects he witnessed of an unsound system of poor relief may be said to have created that question. As a direct contribution to economic science Malthus's celebrated essay on "Population" is of very little account. The proper aim of that essay was accomplished in 1834, when the Poor Laws were reformed and when the principle regulating poor-relief, that the recipient of relief must be less enviably placed than the least enviable independent workman, was recognised. In that essay it is set forth that in every community the number of members is limited by the means of subsistence at their command: increase the subsistence and an increased population will result; diminish the subsistence and there follows a diminished population. The tendency

of population to press upon the limits and, if such a thing were conceivable, to go beyond the limits of subsistence is so strong as to keep us ever on the brink of starvation. The way that population has hitherto been kept under and been prevented from finding itself entirely without the means of subsistence is by what Malthus calls "positive checks"—viz., vice, misery, unwholesome occupations, severe labour and exposure to the seasons, extreme poverty, bad nursing of children, great towns, excesses of all kinds, the whole train of common diseases and epidemics, wars, plague, and famine; and the way that Malthus would have it kept under is by what he calls "preventive checks"—viz., the exercise of prudence on the part of men in refraining from bringing into the world beings they cannot see their way to support and bring up comfortably and respectably. So far there is nothing to object to Malthus. It is quite true, quite a commonplace in fact, that the positive checks cut down multitudes, and it is good counsel to tell men to exercise prudence. But how much better off are we? Even as to his counsel to be prudent, that will be adopted by the prudent, as has been often pointed out, but flung to the winds by the imprudent, who will thus, if there be anything in heredity, multiply and replenish the earth with imprudent men and women.

"Through the animal and vegetable kingdoms," he says, "nature has scattered the seeds of life abroad with the most profuse and liberal hand;

but has been comparatively sparing in the room and nourishment necessary to rear them." Nothing would seem to satisfy Malthus; for here he represents nature as profuse and parsimonious in the same sentence. "The germs of existence," he proceeds, "contained in this earth, if they could freely develop themselves, would fill millions of worlds in a few thousand years. Necessity, that imperious, all-pervading law of nature, restrains them within the prescribed bounds. The race of plants and the race of animals shrink under this great restrictive law; and man cannot by any efforts of reason escape from it."

It is not easy to put definite meaning into this eloquent phraseology—and Malthus's essay is eloquent all the way through. If nature has scattered the seeds of animal and vegetable life so liberally abroad, seeing that our sustenance is derived from such life, we should think that the more liberally these seeds are bestowed and the more favourable the conditions for their development, so much the better for us. But nature, Malthus complains, has not given them room and nourishment enough for their development. As to room, it is quite true that more than one thing cannot occupy the same space at the same time, which would still hold if this globe were twice the size it is. If it were, there would be no room for such animal and vegetable life as we know. Certainly man as at present constituted could not live on such a globe; the force of gravity would be so

great that he would be unable to tear himself from the earth. As to nourishment, these animals and vegetables living on one another, the statement that nature has scattered their germs profusely abroad does not harmonise with the statement that she has been sparing in supplies for their maintenance. What Malthus must sometimes have meant is that every species of life is struggling for existence and is threatened with extinction by other species. To prevent this extinction each species is full of vitality, propagates to the utmost its kind, and encroaches on other species. If this be so, and if man alone, or any race of men, is to restrain this vitality, then man or the particular race of men that may practise this restraint will only increase their liability to extinction.

Now there are Malthusians. They say that this country, for instance, is over-populated, a condition, by the way, that seems impossible of realisation. A vessel cannot be more than full, nothing can hold more than its capacity will permit, and the population of a country cannot at any time be said to be more than it can support. The fact that the population is there implies that in some way or other it is being supported. But how do Malthusians tell when a country is over-populated, or even when it is fully populated? It is an extraordinary thing for a man to take upon himself to say of his fellows that they are superfluous. What is the measure of population? Malthus said subsistence; and, of course, it is perfectly evident that

population cannot go beyond subsistence. Where there is subsistence for only a certain number of people, it is obvious that there more cannot live. But there is no question of any approach to the subsistence limit in this country. On the contrary, subsistence is so abundant, and its price so low, that farmers cannot grow grain or rear stock to profit. Even the comforts and conveniences and enjoyments and luxuries and adornments of life are so abundant that the only cry one hears is not for more of them, but for people to come to consume them. Hence furniture, pianos, watches, rings, and so forth on the hire system; houses, carriages, and what not on the instalment principle—all tokens of fierce competition on the part of holders of produce to get customers, consequent on the abundance of that produce.

What, then, is it that makes the Malthusian persuade himself that this country is over-populated? It is because there are more people wanting work than can get work, and by the number in excess of those that can get work is the extent of the over-population. If every one were in employment, the Malthusian would not then say that the country was over-populated. Work, then, is the measure, according to the Malthusian, of the population of a country. All over and above those in employment who have not the means of subsistence are in excess of the full population of a country. Now, there are a great many such in this country, and even in the colonies with their still

untrodden tracts of territory. If this surplus population were removed, the immediate economic effect would be a diminished consumption, for these people do consume, else they would not be alive, and this diminished consumption would be followed by diminished production, and the only way that production could be diminished would be by a suspension of more or less work. The consumption of the workers so suspended would become less than when they were at work, and so consumption would suffer a further check. Thus again—and, indeed, each time we sought to square the population with employment—would we have an unemployed class. The same line of argument may be applied in the case of pauper establishments, prisons, police, magistrates, and the criminal classes—all undesirable institutions. Remove them and consumption is lessened, with the result that the already contracted market is still more contracted.

Now, the Malthusian attributes all these evils to the fact that the human race is too prolific, and advises parents to regulate the number of their families. We have shown that the progress of inventions leads to a contraction in the field of productive labour and to relatively diminished power of consumption; and that this again leads to the creation of a wider field of labour wherein shorter methods of work are also in process of time discovered and adopted. From both these fields by-and-by labour is obtruded into the market, or

into the streets, if you like, and the consuming power of the community thereby reduced. Now, if the Malthusian would have population squared with the work to be done, a thing that is absolutely impossible, then would his ideal population become less and less with every abridgment in labour. To discover and apply these abridgments is considered a mark of ability and ingenuity on the part of the race that leads the way. Thus would the most ingenious race by its own ingenuity assist itself first out of the world.

Another view of this question is presented in the light of what is called the doctrine of the "survival of the fittest." Of course, to say that the fittest survive is to state an identical proposition; for those that survive are the fittest, and the fittest are those that survive. For our purpose the truth sought to be expressed by this phrase may be rendered by the words, "the conditions or environment determine the type of man that will prevail." Now, with our industrial improvements reducing the rate of wages, and with the competition between capital and capital growing keener, and each consolidation of capital seeking a new weapon to enable it to hold its own in and to drive rival consolidations out of the market, and the best weapon for this purpose being the ability to undersell opponents, what is the best type of man to suit capital so struggling? The man that will work for the lowest rate of wages. Of course, when all have got this man, they will be on an equal footing

again; for though a commodity be sold below its equivalent value, there is never any annihilation of value. Now, the man that can work for the lowest rate of wages is personified in the Chinaman, and he is the product of the oldest existing civilisation, which, from an economic point of view, is structurally the same as our own. It is to this type, then, that our industrial system is shaping, and must eventually shape, in the absence of a change, the Anglo-Saxon, as it has already shaped the Chinaman.

Can it be disputed that, under our industrial system, the Chinaman is the fittest to survive? Why is he forbidden the labour markets of America and Australia, say? Because he is so well fitted to survive under our conditions of industry that, given fair play, he would drive every other kind of labour out. The legislative enactments against his immigration are so many confessions of weakness on the part of the white man. Laws are made, avowedly at least, to protect the weak from the strong; and the strong man in these cases is the meek, submissive, self-denying, restrained Chinaman. It is not by legislative enactments that man has risen above other animals. Legislation implies force, and if man had had to rely on force alone, he would have been overcome. It is by using his intelligence and surrounding himself with conditions favourable to himself that give him the superiority. Not any number of laws, not any amount of force can alter

the fact that under certain conditions a certain type will survive and prevail: though the Chinaman be successfully kept out, what is the use of that when the conditions within the barrier are, it may be said, breeding him? What can be altered, however, and what must be altered, if we wish to save our race, are the conditions that favour the undesirable type and give it an advantage, the conditions that make the Chinaman and those that approach him in character the superior. We seem to have made more progress towards that type in its reputed disregard for human life than is pleasant to contemplate. It is, for instance, said of the Chinese that they think nothing of throwing infants they do not want into the river. What is done in this country? We know only the cases of infant murder that are reported. What part of the total these cases make we cannot tell. But what, even at the rate of the recorded cases alone, would our total be if our population were as large as the population of China? The dense population of that country, by the way, bears out our contention that the naked effect of improvements, which the Chinese have steadily resisted, is to make the possible population smaller.

This, then, is the real population question—to so adjust conditions that our own race and the most desirable type may multiply and replenish the earth. In this way and to this extent man has it within his power to mould his future.

CHAPTER XIII.

KARL MARX¹ ON VALUE.

Karl Marx's view of wealth—His confusing and contradictory statements on value—Marx and Ricardo—Why the value of the means of production affects the value of the product—Not explained by Marx—Usefulness of labour nothing to political economy—Value in political economy no connection with usefulness—Amazing extent of our productive power—No benefit to labour—The economic status of the labourer—Of the employer—Surplus value—Surplus labour—Half-time—Marx's constant and variable capital.

WE have already seen that Marx, like other economists, whom he treats with the greatest scorn, failed to set forth the real nature of wealth. He regarded it as an "immense collection of commodities"; again, "use-values constitute the substance of all wealth." In seeking the definition of wealth, we abundantly demonstrated that to regard it as consisting of useful things or commodities is as erroneous as to regard breadth as consisting of houses or broad things, or roundness as consisting of spheres, hoops, circles, rings, etc. (Chap. I.).

¹ Marx, it is fair to say, is known to me only through his translators.

1. "A use-value," says Marx again, "only has value because abstract human labour is stored up or materialised in it."

2. "The use-value is a compound of two elements: natural material and labour. . . . Labour is thus not the only source of the material wealth resulting from the use-values it produces."

3. "If we separate use-values from the actual material of the commodities, there remains one property only—that of the product of human labour."

4. "A greater quantity of use-value forms *per se* a greater amount of material wealth—two coats more than one. With two coats, two men can be clothed; with one, only one."

5. "The labour-product is an object of utility."

6. "A thing may be a use-value without being a value. This is the case if its usefulness to man is not the result of labour—as, for example, air, virgin soil, natural meadow-ground, uncultivated timber, and so on. A thing may be useful, and the product of human labour, without being a commodity. Whoever by his own productions satisfies his own requirements, makes use-values, but not commodities. In order to produce commodities he must not merely produce use-values, but use-values for others—social use-values. And lastly, no thing can be a value without also being an object of utility; if it is useless, the labour represented by it is useless, does not count as labour, and therefore forms no value."

7. "A commodity is firstly an external object, a thing which by means of its properties satisfies, in some way or other, a human necessity. . . . The commodity itself, as for example iron, wheat, a diamond, etc., is therefore a use-value, or a benefit. . . . The use-value is realised only in use or consumption."

8. Labour, "so far as it is expressed in value, only possesses that character so far as it is a generator of use-value. This duplex nature of the labour represented by the commodity was first pointed out by me."

Any one imbued with the spirit that Marx exemplifies in his comments upon others will be tempted to ask, what does all this jargon mean? Let us endeavour to find out. "The usefulness of a thing," he says, "constitutes its use-value." The passages quoted, therefore, may be rendered thus:—

1. "Useful things have value only because human labour has been bestowed upon them."

2. "Usefulness is composed of two elements—natural material and labour."

3. "If usefulness be separated from the actual material of commodities, there remains only the product of human labour."

4. "The greater quantity of useful articles there be, the greater the amount of wealth—two coats make twice the amount of wealth that one does. With two coats two men can be clothed, with one only one."

5. "The labour-product is an object of utility."

6. "A thing may be useful without having exchange value. This is the case if its usefulness is not the result of labour, as—*e.g.*, air. A thing may be useful and the product of labour without being a commodity. Whoever by his own productions satisfies his own requirements makes useful things, but not commodities. In order to produce commodities he must produce not merely useful things but useful things for others. And lastly, no thing can have exchange value without also being useful; if it is useless, the labour that has been bestowed upon it is useless, and has conveyed no exchange value."

7. "A commodity is a thing that satisfies some human necessity. It is therefore useful or beneficial, and its usefulness is realised only when it is used or consumed."

8. "Labour bestows exchange value only in so far as it bestows usefulness."

These confusing statements, and they are the clearest Marx has made in seeking a foundation for economic speculation, convey little meaning and much error. According to paragraph 6, a thing may be useful without labour bestowed upon it; yet, according to No. 2, labour is an element of usefulness. How can a thing be useful if it lack one of the elements of usefulness? It is as if a chemist, after telling us that hydrogen was an element of water, were to next tell us that a thing may be water without hydrogen. Take No. 4—

two coats twice the wealth that one is. That depends entirely on circumstances. A man in the water would not have his power increased by an extra coat. His power to attain his end, viz., to keep above as long as possible, would be enhanced if he had no coat at all. Take No. 3 now; if usefulness be taken from the actual material of a commodity, there remains only the result of labour. Therefore the actual material of a commodity must be composed of the two elements usefulness and labour; but according to No. 2, usefulness is composed of natural material and labour. Therefore, again, usefulness is an element of material, and material is an element of usefulness: that is to say, hydrogen is an element of water, and water is an element of hydrogen. Now take No. 5—the labour-product is an object of utility—and compare it with No. 3. The latter will then read:—"If usefulness be separated . . . there remains only an object of utility!" How can utility remain after it has been taken away? In No. 6 we are told that the labour that has been bestowed upon a useless article is useless. How can labour be useful or useless, if, as we had already been told, it be an element of usefulness? How can hydrogen be water, if it is only an element of water? As to the case of a useful thing like air having no exchange value, this is not, as we are told in No. 6 again, because it is not the result of labour, but because it has not been appropriated. A commodity, according to No. 7, is a thing,

that satisfies some human necessity, yet in No. 6 we are told that a man who makes things to satisfy his requirements does not make commodities; though in No. 7 we are further told that the usefulness of a commodity is realised only when it is used or consumed. "Labour bestows exchange value only in so far as it bestows usefulness" (No. 8). (The measure of a thing's usefulness, therefore, will be the measure of its exchange value.) I was hungrier yesterday than I am to-day, therefore a chop was more useful to me yesterday than it is to-day; therefore I had to pay more for it yesterday than I have to pay for it to-day. Every one knows that the price of chops does not depend upon one's appetite. Hunger may drive a man to pay more for his food, but in that case the labour bestowed upon the food is superseded as the regulator of the exchange value of the food, and Marx had already stated that useful things have exchange value only because human labour has been bestowed upon them.

What Marx thus takes so many pages to conceal and confuse, Ricardo, whom he affects to despise, had long previously, though erroneously, as we have already shown, set clearly and concisely forth in one sentence—viz. (that, possessing utility, objects, with some exceptions, derive their value from the labour bestowed upon them.) We have seen that neither (utility nor labour is a condition of value, but possession and a wish to

obtain. If labour were a cause of value, as Marx, in common with the political economists that he so ostentatiously repudiates, maintained, then labour itself could have no value; yet he constantly attributes both exchange value and what he calls use value to labour. "As regards the *value* of the labour-power, we have taken it at 3s. a day. . . . The daily *value* of the labour-power is 3s. because half-a-day's labour is necessary to produce that power daily—that is to say, the necessary daily means of subsistence for the labourer cost half-a-day's work. But the previous labour which the labour-power conceals, and the actual labour which it can do—its daily cost and what it can daily produce—are two vastly different things. The cost of the labour-power fixes its exchange value; what it can produce fixes its use value. If half-a-day's labour will enable the workman to live for four-and-twenty hours, that fact does not hinder him from working the whole day. The *value* which the labour-power possesses in itself, and the *value* which it can create, thus differ in value."

Let us recall our old example of two men and a boat catching 110 fishes per day. The share that goes to the boat for its protection, the maintenance of its efficiency, and its renewal is 10 fishes per day, leaving 50 for each of the men. The result of one man's labour per day is thus 50 fishes and the equivalent value of these will be the result of a baker's day's work or of a bootmaker's day's

work or of any other man's day's work. If the boat required nothing for its upkeep, then each of the fishermen would take home 55 fishes. These 55 fishes, however, would have no more value than the 50, and representing one man's day's work would exchange for no more than the result of any other man's day's work. In the day's catch of 110 there is involved the labour of two men *plus* the labour implied in the maintenance of the boat, which must all be represented in the equivalent value of the product. How else are the men that protect, maintain, and renew the boat to be remunerated unless their labour appear in the value of the fish in the same way and to a proportionate extent as the immediate labour of the fishermen themselves? "In the labour-process," says Marx, "the value of the means of production only goes over into the product to the same extent as those means, in parting with their use value, part also with their exchange value." Marx's statement does not bring out, though it is obvious enough, why the value of the means of production goes over into the product. Indeed, this is not the view to take if we would get to the bottom of the matter. First of all, the value of the means of production does not go over into the product. In the case of the boat the labour involved in its efficient maintenance and renewal is as much a factor in the labour bestowed upon the catching of the fish as the labour of the fishermen themselves, and those providing that labour must derive their

support from it, otherwise there would soon be no boat; and the only way they can derive their support from that labour is by that labour affecting, as it does, the equivalent value of the fish. Even the labour involved in the subsequent operations of disposing of the fish affects their final equivalent value, otherwise no one would be found to dispose of them.

It is in parting with their use value that the means of production, according to Marx, "part also with their exchange value." Again, "the seller of the labour-power, like the seller of any other commodity, realises the exchange value and alienates the use value." From the labourer's point of view, if labour can be regarded as having any use at all, it is useful to him only in so far as it brings him the means of support; in selling it he gets the means of support and so cannot be said to alienate its use, use value, or utility. His strength, dexterity, and skill are of no use unless they be exercised, and the only way in which they can be of use is in the service of others or in making products either for himself or to exchange for the products of others. So far is he, by so doing, from alienating the use of his labour, he is realising it, he is making his power to labour useful, and until he does so that power is of no use to him. Nothing has any use except as a means to an end—even the end for which we labour, viz., to provide the necessities, conveniences, comforts, and luxuries of life, is of no use in itself, these things

becoming useful only by being used. Usefulness is not a property of anything, for nothing is useful until it is used. His strength, dexterity, and skill, no matter how great, are quite useless to the labourer unless he expend them. To say, therefore, that by selling his labour the labourer loses its use, is pretty much the same as saying that by using a thing you are losing it. The labourer gets what he labours for, viz., his living; he uses his power to procure sustenance; and Marx says that by so doing he alienates the use value or benefit of his labour, which is absurd.

From the employer's point of view labour would be regarded as useful only in so far as it brought him the necessities, conveniences, comforts, and luxuries of life. As an employer he does not labour at all; many employers conduct their own business and such, to the extent that they do so, labour. Their labour is useful to them and gives them a share in the value of the product in the same way as it is useful to the hired labourer. Purely and simply as an employer or capitalist his view of the usefulness of labour is quite different from the labourer's view: so different as to be antagonistic. Pay-day, when the labourer may be said to realise the use of his labour, is the day of all others that the capitalist dislikes. The "use value of labour," then, must appear as one thing to the capitalist and another thing to the labourer. Some people labour because of the wholesome effects that follow a judicious use of our organs;

to them "the use value of labour" would have a still different meaning. Use value, use, usefulness, utility, all are terms, as we have already shown, that must be banished from economic speculation. They have crept in only on account of the ambiguity that lurks in the meaning of the word value. A useful thing is said to be a valuable thing or to have value; in fact, useful and valuable in one of the latter's senses are interchangeable. Valuable, in the sense of being useful, has no place in political economy. It is introduced only to be dismissed; introduced only to point out that it is not the value that the economist is concerned with. He is concerned with exchange value alone, which has no connection with value in use. To coin an expression like use value and seek to give it a place in economic speculation is to introduce an element that all the efforts to attain clearness and precision have been directed towards driving out.

Let us again return to the fishermen and the boat by whose aid two men were enabled to catch 110 fishes instead of 40—10 of these going to the boat and 100 to the men, so that 100 fishes being the result of two men's labour would have no more value than 40 had previously. We carried the example up to the time when the boat-owner had become an employer. Instead of going out in the boat with a companion and sharing the day's catch with him, he now remains ashore and sends two hired men out with the boat, paying each of them 45 fishes and retaining 10 for the boat and 10

for himself. He thus receives for himself one-tenth of the value resulting from a day's labour; so that if he employ 10 men he will receive as much as a labourer, if 100 men he will receive as much as 10 labourers, if 1000 men as much as 100 labourers—*i.e.*, he will be able to live, *ceteris paribus*, 100 times better than any of his labourers; will be able to command 100 times more of the necessaries, conveniences, comforts, and luxuries of life. We have already quoted a statistician whose investigations have led him to declare (p. 138) that “one man aided by machinery will now”—and that was a dozen years ago—“do the work of 500 men ten years ago.” We shall suppose that from the early time when two men and a boat caught 110 fishes a day, the improvement in fishing has been only what the statistician says has taken place in ten years. In such case, two men and a modern boat will catch 110×500 in a day, or 55,000. If the maintenance and renewal of the boat require the same proportionate share of value as before, to these will go now 10 fishes out of every 110, or 10 times $500 = 5000$, leaving 50,000 for wages and what have been called profits. These 50,000 fishes are the result of the day's labour of two men, and will not have an atom more of value than 100 fishes when that was the day's work of two men; just as when the day's catch was increased from 40 to 100, the 100 were of no more value than the 40 had been. There is thus only the same value to divide between wages

and profits; and if this be divided in the same ratio as before, wages receiving nine-tenths and profits one-tenth, 45,000 will go to wages and 5000 to profits; neither the men nor the employer will be benefited by this improvement except as consumers of fish. The equivalent value of the fish they trade away will, quantity for quantity, be 500 times less than it was. There is never any increase of value unless there is increase of labour. If each consumed 10 fishes a day, then, when a man's catch was 20 a day, it took him half-a-day's labour to find himself in fish. When the catch was 50, it would take him only a fifth of a day, or two hours, say, to find himself in fish, leaving four-fifths of the day for him to devote to the acquisition of something else that he might require. When the catch per man increased to 25,000, it would take him only the one two-thousand-five-hundredth part of a day to supply himself with fish. All the rest of the day would be at his disposal to provide for his other requirements. Now, when we consider all the different things that a labourer consumes, we know very well that great improvements have been introduced into the methods of making them—just as great as into anything else. If that improvement be taken all round at 500—*i.e.*, if the labour of one man to-day be regarded as 500 times more productive than when 50 fishes were the result or equivalent value of a day's labour—then the labourer of to-day, if his requirements were the same as his ancestors, provides these requirements

in a five-hundredth part of the time that his ancestors had to devote to their provision. Thus, if his ancestors had to work 10 hours a day to keep themselves and families—*i.e.*, supposing value to go to labour alone—he should have to work only a five-hundredth part of that time, or a fiftieth of an hour per day, or one hour in fifty days, or between seven and eight days of ten hours each a year, to keep himself and family going.

We know that this is all contradictory to fact, and that the labourer does not benefit by improvements—not even as a consumer. The reason is indicated clearly enough by Ricardo when he says: —“If the shoes and clothing of the labourer could, by improvements in machinery, be produced by one-fourth of the labour now necessary to their production, they would probably fall 75 per cent.” —their equivalent value would *certainly* be only a fourth of their former value;—“but so far is it from being true that the labourer would thereby be enabled permanently to consume four coats or four pairs of shoes instead of one, that it is probable his wages would in no long time be adjusted by the effects of competition and the stimulus to population, to the new value of the necessaries on which they were expended. If these improvements extended to all the objects of the labourer's consumption, we should find him probably at the end of a few years in possession of only a small, *if any*, addition to his enjoyments.” Labour having become 500 times more effective, the labourer gets,

not 500 times more commodities, but a smaller share of value. When a man's catch of fish was 50, when 50 fishes represented a day's labour, and their equivalent value was consequently the result of a day's labour in any other occupation, wages were 45 fishes a day, or nine-tenths of the value created in a day. When the productive efficiency of labour all round became multiplied 500 times, and commodities consequently, quantity for quantity, fell to one five-hundredth part of their former value, the hired fisherman would still receive only 45 fishes a day or their equivalent value; for these 45 fishes would fetch as much of other things as before the improvements, for they would still have the same value in relation to these other things whose value had also fallen in a corresponding degree. One man's catch being now 2,500, the share of value he receives is nine five-hundredths, or 50 times less than he received before the improvements. His command over commodities, however, would not be lessened. He would still be able to consume as much of everything he was in the habit of consuming; but as the value of all these things had fallen to one five-hundredth part of their former value, his consumption in point of value would be one five-hundredth part of what it was. When the share of value that goes to labour is diminished, then there takes place a *real* fall in wages, even though the labourer's command of commodities be unaffected.

Labour receiving, instead of nine-tenths, only nine

five-hundredths of the value created, there remain $\frac{491}{500}$ ths for the employer, or over fifty times more than labour receives. Thus the employer of one labourer, were it not for the infinite waste we have seen incurred in the unproductive strife (p. 142), could live fifty times better than his labourer after the latter had been provided for. That labour does not benefit by labour-saving appliances is and has been known instinctively, we might say, to labour all along. These appliances really reduce labour in the economic scale, for the economic position of any class is determined not by the number of shoes or the quantity of food and clothing its members may have at command, but by the proportion of value they receive. If these appliances have reduced the economic status of labour it is because they have correspondingly raised the status of the employer. Instead of receiving only one-tenth of value as before the improvements, he now receives to within less than a fiftieth of the whole. Thus employers are ever on the alert for labour-saving appliances, not because these appliances enable them to turn out more commodities, but because reducing the value of commodities they reduce the cost of labour and so lead to a larger share of value being left for capital, as it is called. The share that goes to capital in this way is what Marx calls surplus-value. A surplus is something left over, and from the labourer's point of view what goes to employers,

as such, is something left over—viz., ^{Surplus} that portion of value that remains after labour has received its share. It is, therefore, not scientifically correct to call that portion of value that remains for employers after wages and maintenance of plant have received their shares, surplus value. By lending colour or character to value, according to its disposal, such a phrase interferes with the clear neutral view so necessary in the search for truth. It led Marx himself to introduce another objectionable phrase—viz., surplus labour. (By surplus labour he means the labour engaged in by the labourer after the latter has produced the equivalent of the value that he receives in wages. “Surplus value,” he says, “is only the result of extra quantitative labour.”). A weaver getting three shillings a day, he supposes to create a value of six shillings in twelve hours’ labour. In the first six hours, which he calls necessary labour-time, the weaver makes his wages; and in the second six, which are hours of so-called surplus labour, he makes his employer’s profits, or surplus value. Do away with the hours of surplus labour, then, and you do away with surplus value: so one would be apt to infer. “In the second period of the labour process, in which the labourer drudges beyond the limits of necessary labour, he expends labour power, but makes no value for himself. He makes surplus value, which causes the capitalist to smile, and which has for him all the attractive grace of a creation out of nothing. This part of

the day I call surplus labour-time, and the labour done in that period I call surplus labour." If the part of the day that Marx thus calls surplus labour-time were devoted to play, there would, it follows, be no surplus labour performed, and therefore no surplus value would appear to make the capitalist smile. But surplus labour-time is often devoted to play and the labourers do not like it. When men are on half-time, the view Marx holds up would lead to the conclusion that they got full wages and the employer no profits or surplus value. That, however, is not so, the reason being that wages and profits appear simultaneously in the product of labour. They are parts of each creation of value, and once their ratio is fixed every stroke of the hammer, every turn of the spindle, whether performed in "necessary labour-time" or in "surplus labour-time," is divided in that ratio between them.

It is not easy to see what is gained by the distinction Marx draws between constant and variable capital. "That portion of the capital," he says, "which was spent on the means of production—i.e., on raw material, auxiliary material, and tools or implements of labour—does not increase its value in the production process. I, therefore, call this portion the constant part of the capital, or, briefly, constant capital."

"That portion of the capital which was spent in buying labour-power does, on the other hand, increase its value in the production process. It

not only reproduces its own equivalent, but it also produces something more, a *surplus-value*, which may be more or less in quantity. This portion of the capital is continually being changed from a constant into a varying quantity. I, therefore, call this portion the variable part of the capital, or, briefly, *variable capital*. It is difficult to conceive of capital reproducing not only its own equivalent but producing surplus-value as well. There may be something in the distinction. I never could see much from a political economy point of view even in the distinction economists draw between *fixed* and *circulating* capital. The distinction seemed to be a concern of business men rather than scientists. Much has been written of a bewildering kind, too, on the nature of capital, and strange things sought to be known about it, things that seem to be irrelevant—irrelevant, at any rate, to any purpose of political economy. Capital, in so far as it concerns this science, would appear to be less in need of defining than any other term we have to deal with. Anything that facilitates the attainment of our ends is capital. The chair I stand upon to put out the light is capital; the dinner I eat to sustain me is capital. The same thing may be capital and not capital. If I wish to reach the roof of a house, a ladder will be capital; it will not be capital if I wish to brush my hair. A match is capital to one wishing to light a fire; it is not capital to one wishing to erect a telegraph-pole. There is nothing mysterious about capital. In

another place Marx says that the use value of the means of production goes over into the value of the product. The only meaning I can see in this is that in using a tool one is using it, that it is worn out in making products. A tool, with the aid of which a man can double his turn-out, would give over to the product twice the use value; that, however, so far from doubling the value of the product, would lead to its reduction by as much as one-half, if the new tool cost no more for its maintenance and renewal than the old. Let us repeat that usefulness must have no place in economic speculation.

CHAPTER XIV.

A GLANCE AT SOME POPULAR MISCONCEPTIONS.

Effect of price on wages—Effect of wages on price—Conflicting views—Their basis—When a rise in price raises wages—Policy of accepting tenders from “fair” houses only—Vitality of fallacies—When a rise in wages raises price—How far trade unionism keeps up wages—The barristers’ union—Trade unionism and international wages—Unanimity of labour and capital—The English farmers’ real competitors—Cheapness of foreign commodities—Futility of seeking an international rate of wages.

THE price of a commodity is nothing more or less than its exchange value expressed in terms of money. What, therefore, we are now to examine is the effect of wages on prices or exchange value and the effect of exchange value on wages. This we are induced to do, not by reason of the requirements of political economy, but on account of the extraordinary teaching that is disseminated amongst all classes, and that sometimes represents wages as dependent on prices, and, when it suits the purposes of the teacher, sometimes represents prices as being dependent on wages. That wages are dependent on price, and that price is de-

terminated by wages are conceptions, or rather misconceptions, that prevail widely. Coal-miners, for instance, have been known to strike from the impression—at least so it has been represented—that their wages are dependent on the price of coal, their design in so doing being to lessen the output of coal, and thereby enhance its price, in which enhanced price they expect to participate. Another practical effect of the view that wages are dependent on price is seen in the sliding-scale system of paying wages, whereby wages are made to fall or rise with the fall or rise in the market value of the goods turned out. As to the other and opposing view that wages determine price, there is no lack of evidence that this, too, widely prevails. The low price of foreign produce, for instance, is set down to low wages, and as regards home produce statements are made every day based on this view. For instance, trade unionists, after getting the wages of their particular trade raised, have been blamed for spending their money in purchasing the cheapest goods without giving a thought to the manner in which these cheap goods are produced. It is unnecessary to say more to show that the view that wages determine prices prevails, and prevails widely.

These conflicting views—viz., that wages determine prices and that wages are determined by prices, are not only widespread but repose undisturbed, side by side, in the same breasts. Is it not plain that these views are self-destructive? If

wages determine prices, how can they be determined *by* prices? And if they be determined by prices, how can they determine prices? Such incongruous views are unparalleled in any other subject. Still, political economy is thought to be such an accommodating science! Banish it to Saturn, it goes. Give it an opprobrious name and tell it that in spite of its Cassandra-like utterances two and two make five, it resignedly remains silent. Meanwhile the laws whose operation political economy, under better treatment, would unfold, and whose forces intelligence might utilise for the common good, are at work—slowly perhaps, but certainly. We cannot get away from truth, and it is only the truth that political economy wishes to tell.

Returning to the view that wages are dependent on price, we find it to be based on some such reasoning as this: A manufacturer gets £100 for the produce of the labour of 10 men at one time, at another time he gets only £50. When he is getting the £100 price, people say he can afford to pay higher wages to his 10 men than when he is getting only the £50 price. True; but does he do it, and why should he do it? The men's labour in both cases is the same, and their wages, so far as the price of the articles they make is concerned, will remain the same. Because a millionaire can afford to give a sovereign for what people usually give a shilling is that any reason why he should pay that price for it, or even be expected to pay

that price for it or any other price above its ordinary price? If all were in the habit of paying for what they required in proportion to their means, then we should all be equally poor or rich. The man without any means would receive everything he wanted for nothing in just the same abundance as the millionaire.

Wages, however, might rise with a rise in the price of produce, but not in consequence of it. Suppose produce of a certain kind that fetched £50 last year to be now fetching £100, the wages of the makers of that produce *might* go up. A rise in price is often the result of an increased demand, and that increased demand may be so great and constant that manufacturers augment the number of their workmen. If competition set in amongst the manufacturers for workmen in this particular employment, then the wages of that class of workmen would rise. Not, however, because the price of the article they made had risen, but because the requirements of the manufacturers for the men themselves had increased. Indeed, high prices are more likely to lead to a reduction of wages than to an increase.

Take, for instance, the miners' view that by lessening the output of coal and so keeping up its price wages will be kept up. The only way in which miners' wages, or the wages of any other class of workmen, can be kept up is by lessening the number of miners or increasing the demand for miners. There is no getting away from this fact.

Even the spokesmen for labour recognise it when they point to the army of the unemployed as being the cause of low rates of wages. If a man wants his wages raised and his employer does not care to raise them, the employer simply tells that man to go, and invites an unemployed man to take his place, which the latter is seldom slow to do, even at a reduced wage.

Accepting, then, the fact that the miners' wages can be kept up or raised only by either lessening the number of miners or increasing the demand for miners, we see clearly that by assisting the mine-owners to raise the price of coal the miners effectually prevent the only cause whereby their wages can be increased from operating. To lessen the number of miners is out of the question; to increase the demand for miners is not. The demand for miners, of course, depends on the demand for coal. Increase the demand for coal, and you immediately increase the demand for miners.

The best way, again, to increase the demand for coal is to let it be sold at the lowest possible price. The lower the price the more the consumption, is true of everything; raise the price, and you immediately restrict the consumption. With coal at a high price, consumers will, of course, be sparing in the use of it, and will resort to substitutes. The demand for coal will slacken, and fewer miners be required. The inevitable consequence is that miners' wages tend to fall. The real interests of

miners lie in the direction of cheapening coal, which leads to its increased consumption. Thereby they increase the demand for their own labour, which will tend to increase their wages. Of course, neither coal nor anything else can be permanently exchanged for less than its equivalent value.

It is singular that the view that regards wages as being determined by price, though widely prevalent, has never been supported by any argument. "It stands to reason," you may be told, "that if an employer gets more for his produce, he can give his men more." True; but that is not the point. We are not disputing any employer's *ability* or anybody else's to give more if more be given to them. The question is what the employer *does* do, not what he *can* do.

Take now the misconception that wages determine prices. The trade unionist sees in low prices nothing but the outcome of sweated labour, and in his capacity as a citizen he forces parliamentary and municipal candidates, under pain of losing his vote, to support the policy of giving public contracts only to "fair" houses or employers that pay a certain rate of wages. Of course, this is a wrong principle to go upon in giving out work. The right principle is to give contracts to the firms who, there is reason for believing, are best fitted to give the best value for the money.

It is difficult to account for such a policy in the matter of public contracts except on the ground that wages determine price. The argument may

be construed in this way:—"The lower the price in a tender, other things being equal, the more likely is the tender to be accepted. The firms that are able to put in the lowest tenders are those that pay the lowest wages.¹ We shall, therefore, remove the advantage these firms possess by excluding them from the possibility of competing for contracts altogether unless they recognise the union rate of wages." If the ground-work of this argument be sound, it is a perfectly fair argument for labour speakers to use; and as their avowed aim is to increase the remuneration and ameliorate the conditions of the workers, the line of conduct it leads them into is perfectly consistent with that aim.

If it were true that wages determined prices, then the labour difficulty is one of the easiest that civilised communities ever had to deal with. Employers have only to raise their men's wages and up go prices to recoup them. As often as employers raise wages, so often will prices go up; and just as high as they raise wages, so to a corresponding height will go prices. Why do they hesitate? Wages either determine prices or they do not—we are told on every hand that they do—both by employers and employed. Well, then, why quibble

¹ If we remember that the rate of wages is the amount per each creation of value that goes to labour, we shall find reason for doubting whether the firms that pay the lowest weekly wages pay the lowest rate of wages. See J. S. Mill, in my *Political Economy Selections* (Scott Library), p. 152.

any longer? Let the wages of every wage-earner be raised, and prices, which you say are determined by wages, will go up accordingly and employers will lose nothing, while the employed will all be well paid. "Ah," you say, "that is all very well, but the employers cannot be got to act with unanimity. If some were to act up to their belief that wages determine prices, others might not, and so defeat the whole movement." Pass an Act of Parliament, then, compelling employers to raise wages and you will have unanimity then. You say that wages determine prices. What is the use of your saying such a thing unless you believe it, and what is the use of your believing in a thing unless you are prepared to act up to it? Action is the criterion of belief. You want this labour bother settled; you believe that wages determine prices. Show your faith in your belief, then, and get your legislature to make a law immediately whereby employers shall be compelled to raise wages. As prices will go up with and corresponding to what determines them—viz., wages, and as the employers will thus lose nothing, make the compulsory increase something substantial. Let every man's wages be raised £10 a week. There will be no more strikes then. No more children going to school shoeless and breakfastless.

It should be plain to all that if wages determined prices, then there could be no such thing as a rise or fall of wages. If a pound a week be the average wage in this country to-day, what would it signify

if it became two pounds to-morrow so long as wages determined prices? The two pounds could go no further than the one pound did. The wage receiver would be neither richer nor poorer. Everything that is procured by wages would be twice the price. So if wages were tripled, or quadrupled, or multiplied many times, and prices were affected accordingly, the only difference to the wage-earner would be that he would have to carry more money about with him. But these are old arguments, and as they have not slain the fallacies they have often been directed against, there must be something inadequate about them. The fact is, the mere exposure of fallacious explanations does not kill them. These are shut out from the human mind only when it has been satisfied with sound explanations.

The view, then, that wages determine prices being untenable, and the policy of the labour party being instigated by that view, it behoves that party to overhaul its policy. No one that understands the theory of value can ever be guilty of imagining that a rise or fall in wages raises or reduces prices, or that a rise or fall in prices raises or reduces wages. A rise in the rate of wages in a particular industry or group of industries would result in an enhancement of the prices of the commodities produced by that industry or group of industries. If the rate of hatters' wages, for instance, increased, while the rate of wages in other industries remained station-

ary, the price of hats would rise. This would be because the rate of profits in hat-making would, by the rise in the rate of wages, be by that amount reduced. Now, capital does not seek investment in industries where the rate returned for its employment is unusually low. On the contrary, all other things being equal, it rushes into those employments where it will yield the best return. The hat industry, in the circumstances supposed then, would not be refreshed by the influx of fresh activity unless the price of hats went up. If the price did not go up, the supply of hats would decline until it did go up. In the case of a general rise in wages, however, no effect would appear in prices; the only effect would be a reduction in the rate of profits. How could a rise in wages raise price? The rate of wages is a fractional part of each creation of exchange value, the remaining fractional part going to profits. By increasing the fractional part of each creation of exchange value that goes to wages, we do not thereby increase the value of such creation. That, it must be obvious, remains the same. There is thus only the same value to divide between wages and profits; and the portion going to wages increasing, the portion going to profits must just by so much be diminished.

It is a vexed question whether trade unionism is or is not efficacious in raising workmen's wages. The more sober-minded consider that it is not, and that the sole extent to which it operates upon

wages is to stave off for a while an inevitable fall of wages, and to secure more quickly a rise when wages are rising otherwise. Those that hold this view reason thus: when wages are falling, an employer of union men hesitates to reduce his men's wages. There is the danger of a strike, as the reduction will affect all his men simultaneously, and so he puts off the unpleasant duty as long as he can, in the hope that perhaps the rate of wages may rally, and, at least, until the decline has become a well-established fact by others having put it into force. It is different when he can treat with his men as so many units, while they are still in the non-union stage. He can give notice to one to-day, to another to-morrow, and so on, of his intentions as regards them alone. If these individual workmen do not like it, and prefer to lay down their tools, he is little, if any, incommoded.

It is thus very clear that unionism tends to keep up wages in a falling market. It is also equally clear that unionists will secure the rise in wages sooner in a rising market. A workman may know that wages in his particular industry are rising, and he may make representations to this effect to his employer. The employer, however, dealing with only one man, can easily, if he be so minded, put him off. It is different, however, when the representations come from the whole body of his workmen. The employer is likely to hesitate ere he puts them off. Thus, besides staving off the

fall in wages in a falling market, unionism also secures a speedier rise in a rising market.

Does it do any more? Does it actually raise wages? There are those that hold that it does. There are no clear and satisfactory explanations given as to the way in which it does this. Those that believe in this view have, to all appearance, a good case to cite as an example. That case is the bar, the members of which are formed into a very close union, and one of the, to all appearance, most rigid rules of the union is that no barrister shall accept a smaller fee than one guinea. But for this rule, barristers will tell you that their fees would fall almost to nothing. There are so many members of this profession without briefs, who never have had a brief, and who never will have a brief, that they would accept employment on almost any terms. If the barrier prohibiting them from pleading for any fee they can get were withdrawn, there can be no doubt that a common fee for professional representation in a court of law would be nearer five shillings or two shillings and sixpence than twenty-one shillings. Here, then, we are told, is a clear case of unionism keeping up wages in the face of competition; and, if unionism acts this way in one sphere of employment, why not in others?

In the first place, we question whether this rule of the barristers' union keeps fees up to the extent credited to it. No barrister was ever *known* to accept a smaller fee than twenty-one shillings,

because no barrister is likely to let such a thing be known: although in limited circles such things are known. Thus this very close union and this very rigid rule are not able to withstand the pressure of competition. It would, however, be obliterated altogether, but for the fact that unemployed barristers get food and other necessities without briefs. In many cases they have private means, and can afford to wait until the guinea comes; and in other cases they flow over into other callings. They become journalists, tutors, enter business houses, or take up any calling they can. If it were essential for the unemployed amongst barristers to get briefs ere they could get food, then the rule prescribing the *minimum* fee at a guinea would be as operative as Canute's command to the waves to retire.

It comes clearly to this, then—that though unionism delays a fall of wages, forces them up to their highest possible point, and accelerates a rise, there is yet some other force that determines wages—a force that both employers and employed are subject to. This should be apparent to every one; for if unions could fix wages, why do they not make demands for something substantial?

As to the cause that really does fix wages, that has been already pointed out in Chapter VIII. Not only are there people who think that unionism can raise wages in one country; they even aspire by that means to be able to fix the rate of wages internationally. Some time ago, for instance,

there was a strike in Germany, and a body of unionists meeting in London pledged itself to do what it could for the strikers on the ground that "an international understanding in respect to rates of wages and hours of labour" was important. The words quoted are from the resolution passed, and are full of significance. They set forth the grounds on which the labour party of one country thought it reasonable to assist the labour party of another. It is not because the workers of one nation may be poor or ground down by the merciless heel of capital that they are to expect succour, but because "an international understanding with respect to rates of wages and hours of labour" is important. We are not told in the resolution why "an international understanding" is important, and no one with any knowledge at all of prevailing opinions on topics needs to be told. It is simply because, in the view of the labour representatives who passed the resolution, the commodities of those countries where wages are low will drive out of the market the commodities of those countries where wages are high. Trade will thus pass from the high-wages countries to the low-wages countries, with the result that the former will ultimately have to reduce their rates of wages to the rates of the latter, and labour be thrown back.¹

The curious point about this argument is that it

¹ I very much doubt if the rate of wages is lower anywhere than in England.

is common to both labour and capital, and is used by capital to stay the demands of labour. "If you insist," says capital to labour, "upon higher wages, you will simply render it impossible for the goods you make to be sold. Other countries—and the competition is fierce enough with them already—will be able to underbid English goods to such an extent that no orders will come to this country, and instead of having the wages you have now, you will simply end by having none at all." Labour has thus been a quick learner. One of the influences predisposing labour to lend a willing ear to the argument of capital is the cheapness of foreign articles. How these articles can be produced for the money is an exclamation of surprise one constantly hears, coupled with the explanatory remark that these foreigners must work for nothing.

These arguments are all very specious, and only those who know the exceeding intricacy of the subject they relate to would withhold an immediate assent from them. We have said enough to show that wages have no influence upon price, and along with that we have recurring experiences in new countries of high wages and cheap produce. Perhaps a popular way of bringing out the general fact that price is independent of wages will be to imagine an extreme case. Suppose, if such a thing be conceivable, that labour exacted no wages at all, that the entire produce of labour went intact into the hands of the capitalist. Would com-

modities be exchanged for one another then in different proportions from the proportions they are now exchanged in? Would they be cheaper? If the possessor of gold said to the farmer, "I shall pay you only one sovereign for a quarter of wheat instead of the two that I used to pay you, seeing that you now pay no wages to produce it," the farmer would reply, "Yes, but seeing that you pay no wages to your miners, I might just as well expect from you for half-a-quarter of my wheat the two sovereigns that you used to give me for a whole quarter." Thus all the influences would tend to make the wheat and the gold exchange in the same proportions as before. And not with wheat and gold alone would this be the case, but with all other merchandise.

Of course there are many apparent contradictions in actual practice to the general law that wages have no effect upon price, just as there are many apparent contradictions to Newton's first law of motion. Such contradictions, however, only afford illustrations of the truth of the general rule, and arise from special circumstances. The reason that people incline so readily to the belief that foreigners are badly paid is mainly because, believing that wages fix prices, they see foreign articles sold so cheaply in our markets. The reason that our farms are going out of cultivation is due, we are told, to the competition of the wheat-growers of America and Russia. It is nothing of the kind. It is due to the competition of our own manu-

facturers with our own farmers. A bushel of wheat shipped from San Francisco, after passing through the perils of a long sea voyage, and bearing the burdens of freightage, insurance, etc., by the time it enters our markets may have occasioned more expenditure than a bushel of wheat grown in Essex, and yet sell for less. Suppose that England has the advantage of America in growing wheat and in making cloth, her advantage in the making of cloth being to her advantage in the growing of wheat as two is to one. The cloth, then, made by fifty men in England will bring back twice as much American produce as the wheat grown by the same number of men would bring, supposing America required wheat. It would be clearly, in such circumstances, more profitable¹ for England to devote her energies to the production of cloth, and get her wheat thereby, than to grow her own wheat. Moreover, though our farmers had an advantage over the American farmers, they would yet, under the conditions supposed, be unable to compete with the cloth-purchased wheat; and the price of the cloth-purchased wheat in our markets would be regulated, not by the wages paid to agriculturists in America, but by the cloth we gave for it. Thus, if the cheapness of foreign articles in our markets tells anything at all about wages, which it does not, it rather points to low wages here. To think, then, that an international rate of

¹ A better expression than "more profitable" here is perhaps "England's productive efficiency would be increased."

wages will equalise the conditions of production in different countries and remove the thousand-and-one inequalities that are the mainspring of external commerce, is evidently futile.

The points contended for in this chapter are susceptible of still clearer elucidation when the subject of money is properly understood. On this widely written about subject political economy has still a great deal to clear up, and, as already mentioned, I have had to defer its treatment.

CHAPTER XV.

INTERNATIONAL TRADE.

Attitude of political economy to free trade and protection—
“Employ British labour”—How the wily foreigner gets
our gold!—Low foreign wages?—Why foreign produce
is cheap—Our derelict fields—Foreign trade’s resemblance
to machinery—When agricultural or any industry
needs protection—When not.

THE question of an international rate of wages touched upon in the last chapter having called for a reference to foreign trade, we may here profitably consider some further aspects of this subject. It is a somewhat difficult question to deal with, because of the political bias with which it is usually handled. Throughout the civilised world it seems to have divided people into two camps—one occupied by free-traders, the other by protectionists. What these designations mean is well enough known for our purpose, as the differences involved in the disputes between the two parties are of little moment to political economy. Whether a nation should adopt free trade or protection is a question of practical policy, not a question of

truth, and political economy is concerned only with the investigation of the truth. It is as accommodating as the Scriptures, in which every religious denomination can find passages to justify the faith that is in them, and which even the prince of darkness is said to be able to quote to his advantage. It will provide the free-trader with arguments, and it will similarly provide the protectionist with arguments. The man that it will *instruct* is the man who comes to it with an open mind; it will help him to form a judgment as to which of the two policies is the better in given circumstances. To debate the question whether free-trade is better than protection is as futile as to debate whether east is better than west. East is the better course to pursue if one's design is to reach a place in that direction; and west the better course for one whose destination lies that way. How can any one tell me which is my best course unless he knows where I wish to go? So, how can any one tell a nation which is its best course apart from some object or purpose or design or aim? Yet every day people hold up free-trade, in the abstract, so to speak, against protection in the abstract, and say this is the right policy, without reference to any end. Similarly protection is held up against free-trade. Before any one can decide the best course or policy for a nation or an individual to adopt, he must surely know what end that nation or that individual wishes to achieve. East is as good as west for a man with no purpose,

and free-trade or any other policy as good as protection for a nation without a purpose.

Before proceeding to apply the theory of value in elucidation of the phenomena presented by international trade, we shall consider some popular notions regarding what is called foreign competition. It is, for instance, supposed to be patriotic to confine ourselves, as far as in us lies, to the consumption of British produce, and thereby, as the saying is, "employ British labour." It appears that we are suffering from a scarcity of the primal curse. On the "British employment" phase of foreign trade I cannot do better than reproduce some paragraphs I wrote when it came up years ago:—

It appears the pencils used in the Post Office and other Government departments come from abroad, and once or twice questions have been asked in the House of Commons why the Government should not give the work to our own manufacturers, and so tend to the increased employment of our own people. We have never yet seen a satisfactory answer given to these questions, though there is a most satisfactory and conclusive answer—viz., that the consumption by this country of foreign pencils, or foreign anything else, does not rob our workers of one single hour's labour.¹ To understand this, think for a moment how we get these foreign pencils or foreign anything else. Do the foreigners give them to us for nothing? Clearly they do not—no one would say that they do—yet every one, in speaking of this subject, seems to imply that they do. Well, if they don't

¹ Except in the way that a great labour-saving machine, such as foreign trade is, would rob him.

give us them for nothing, they must take something from us in exchange for them. What do they take? They take our gold, you say. Well, suppose they did take our gold, how do we get that? Do we get that for nothing? Clearly not; we must give something to get it. What do we give? What can we give but the produce of British industry? Thus, when we consume foreign articles, even when we have given gold for these articles, we are really consuming the produce of British industry. But it is not true that we give the foreigners gold for these foreign articles; on the contrary, so successful are our international commercial transactions, that the foreigner, besides sending us his produce to liquidate his obligations to this country, has also to send us *his* gold.

Again, before us is the advertisement of a firm which tells the public that last year £300,000 were spent in this country in the purchase of foreign articles of a certain kind, and that if home-made articles of the same kind had been bought instead, the firm in question would have been able to pay £1000 more wages per week. The obvious inference is that these foreign articles are responsible for depriving labour in the same line here of £1000 a week, and that but for them many now out of work would get employment. The advertisement is, of course, meant to play upon public ignorance, and is so far ingenious.

We are, again, continually hearing questions put like these:—Why should we import fruit when it can be grown at home? why should we import vegetables? why should we import eggs, and fowls, and butter, and so on? Another form in which expression is given to the same underlying thought is this:—“Why should we give three and a half millions sterling to foreigners for eggs when, under a proper distribution of the land, our own people might provide us with these eggs?” Observe the word “give.” It always appears in such questions. We do not *give* three and a half millions sterling to foreigners any more than they *give* us

over ten million eggs. It is a question of buying and selling. Again, take the foreign produce that comes into our markets, and is accused of damaging our own industry and robbing strong men in this country of work, there seems to be an idea that it, too, is given, that foreigners make a present of it to us, otherwise why should it be looked upon as lessening the necessity for toil here? A carpenter might as well consider a baker of whom he buys bread guilty of depriving him of work as the people of this country consider foreigners of whom they buy guilty of depriving them of work. The carpenter is free to make his own bread if he likes, but it is easier for him to secure his bread by making chairs and tables to exchange for bread. Similarly, the people of this country are free to make such things as now come from foreign countries, but it is easier for them to make other things whereby they are able to secure these foreign articles.

To understand this question thoroughly, always remember that the foreigner does not make a present to us of those commodities he sends to our shores. Remember that we have to pay for them, and that, having to pay for them, we cannot be said to be robbed of labour. Only on the supposition that the foreigner gives us his produce for nothing, which he takes care not to do, can he be accused of taking labour out of this country. For every article that comes here from abroad another article has to go from here to pay for it. Who makes that other article? Why, the British working man. What do our exports mean? Are they not the result of British toil undergone to pay for our imports, for those foreign articles that we are accusing of starving our own industries? Stop those foreign articles from coming in, and you immediately stop those industries that make articles for export, articles wherewith the foreign goods are paid. If the public acted upon the advice offered them in the already-mentioned advertisement, and bought the home-made article only, it is quite true that additional employment would follow in that particular industry. But what about the industries

that made the articles that were sent abroad to pay for the foreign articles? In them the field of employment would suffer a contraction corresponding to the expansion of employment in that industry. The ingenious advertisement is thus delusive.

“Stop a minute!” you exclaim, “you are going just a little bit too fast, and you are begging the whole question. I grant you everything you say, *provided*—and this, in my humble opinion is the gist of the whole matter—provided the foreigner takes our articles in payment for his. But that is just what he does not do. Not he: he is wily and takes our gold.” Indeed! And how, pray, supposing he be so very wily, and granting that he does take our gold, does this signify? How do we get our gold? Is that then *given* to us for nothing that the substitution of it for a British-made article should take work out of the country? “No,” you answer. Well, then, how do we get it? *In exchange for British-made goods.* If, then, gold be got in exchange for British-made goods—and it will puzzle any one to point out any other way in which this country can get its gold—what is the difference whether the wily foreigner take that gold or these goods? If the gold that is withdrawn to pay for foreign produce requires to be replaced, it will be replaced by British manufactures, and these will be made by British working-men. As Adam Smith says:—“A country that has no mines of its own must undoubtedly draw its gold and silver from foreign countries, in the same manner as one that has no vineyards of its own must draw its wines. . . . A country that has wherewithal to buy wine, will always get the wine which it has occasion for; and a country that has wherewithal to buy gold and silver, will never be in want of those metals. They are to be bought for a certain price like all other commodities.” Though for the sake of argument we have allowed that foreign articles are paid for with English gold, it is seldom that this happens, inasmuch as the cost of conveying gold is exceedingly high and acts against the selling country. Besides argument, however, we

have facts on our side, as disclosed by the returns of the imports and exports of gold and silver. The figures indicating the imports of these metals during the years 1886, 1887, 1888, 1889, and 1890 respectively are £20,863,895, £17,774,764, £22,001,528, £26,871,574, and £33,953,708; while the figures indicating the exports in the same years are £21,007,405, £17,131,018, £22,559,571, £25,121,630, and £25,170,072—a total for the whole of the years given of £121,465,469 imported, against a total of £110,989,696 exported, or nearly 10½ millions more imported than exported. Thus it looks as if we were taking gold from the wily foreigner rather than otherwise.

We come now to consider further the view that attributes the cheapness of foreign commodities in our markets to the low wages paid to foreign workmen. There is no doubt that foreign produce *is* cheap, and there is no doubt that this circumstance is referred to the low wages obtaining in foreign countries. This explanation is accepted by both the employing and the employed classes. It may be found strewn through the records of the Proceedings of Chambers of Commerce and the columns of the press.

Whether it be the fact that the workers of foreign countries are paid lower wages than our own workmen, we do not profess to know. That it is the fact we have frequently heard very positive assertions from the lips of people familiar with such countries. These people, however, very often contradict themselves in making such statements; for as soon as they have assured you the foreigners are not half so well paid as British workmen, they

generally wind up with the remark, or something akin to it, that an Englishman will do as much work in a day as a foreigner in two. This of course stultifies the previous information about wages; for if the foreigner does only half the work and receives only half the pay, then the rates of wages would appear to be the same. Still, it is not necessary for our purpose to show that foreign is as well paid or not so well paid as home labour. Accordingly, we need not pursue this subject further than to add that it is a most difficult thing to say whether, taken all round, the workers of one country are better paid than the workers of another, or indeed the workers of the same country at different periods. Moreover, the explanation that attributes the cheapness of foreign produce to the low rate of foreign wages breaks down in the case of American commodities.

If wages be higher in America than in this country, as is frequently stated, and American produce can yet undersell our own produce in our own markets, clearly we cannot explain the cheapness of the produce of foreign countries by saying that the workers of these other countries are paid lower wages than our own. In offering an explanation of this phenomenon, the marvellous cheapness of foreign commodities, we shall assume conditions unfavourable to our contention that such cheapness is not due to low wages or other advantages enjoyed by the manufacturers of these countries. We shall assume the advantages to be all on the

side of the British producer, and we shall show that he may nevertheless be undersold by the foreigner in commodities in the production of which he enjoys an absolute advantage.

Let us take the case of agricultural produce. Our farms are going out of cultivation, we are told, because of the competition of America and Russia. In these and other countries, it is asserted, grain can be grown at so much less cost than in this country that notwithstanding the expenses of transit it is sold in the market at a price at which it cannot be profitably grown on farms adjacent to the market. The consequence is that extensive acres in a county even so near London—as Essex are, to use the phraseology of the politician, “lying derelict, and producing nothing but weeds, which if labour were applied to them would produce at least some food for the people.” Meanwhile, the rural population is flocking into the already straitened towns, where there is thus an ever-expanding multitude of people unable to get work. All this is very true and very deplorable, and there is nothing of greater importance for us to know than the reason why the land of this country cannot be profitably cultivated. No country is so well developed as this, and no country is better provided with roads and other means of facilitating conveyance. In America virgin tracts of territory have had to be broken up, primeval forests often to be cut down, every species

of building to be provided, roads to be made, railways to be built, and so on—that country, in short, while being reclaimed, has undersold us in our own markets.

Suppose that this country has an advantage over America in the manufacture of cloth as well as in the growing of wheat, the advantage in the making of cloth being to the advantage in the growing of wheat as two is to one. Labour under such circumstances devoted to the making of cloth in England with a view to exportation to America will be more productive than a corresponding quantity of labour devoted to the growing of wheat. To be more precise, suppose that 10 Englishmen can make as much cloth as 30 Americans, while they can grow as much wheat as only 15 Americans; clearly it will then be more profitable for England to make cloth and thereby get her wheat from America than to grow her own wheat. By making cloth and sending it to America 10 Englishmen may, by the hypothesis, get in exchange the produce of the labour of 30 Americans, whereas by growing their own wheat direct they cannot realise more than the equivalent of 10 Englishmen's labour or 15 Americans'. This rate of exchange would not rule in ordinary conditions of trade—we shall speak of this further on; if it did there would be no chance whatever for any of our agriculturists. They could be easily undersold by American wheat, even although that wheat occasioned a much greater expenditure to the

Americans, inasmuch as the price of American wheat in our market would be regulated as much by the cloth we gave for it as by anything else. Mark again and carefully that it would not be due to American competition that our home-grown wheat was thus driven out of the market, that our farms were given over to weeds, but to our own cloth-makers. So long as 10 Englishmen engaged in making cloth can procure twice as much wheat as when engaged directly in the production of wheat, so long will they be drawn from the direct production of wheat to the making of cloth.

As to the rate at which the cloth would be exchanged for the wheat—America would never send us more wheat than the produce of 30 men's labour in exchange for our 10 clothmakers' labour, because rather than do this it would be more profitable for her to make her own cloth. Similarly, we would not take less wheat than 15 Americans produced, because 10 Englishmen engaged in growing wheat would then be more profitably employed than in making cloth. Between these limits the rate of exchange of English cloth and American wheat would always lie, now inclining in favour of England when the demand in America for cloth was brisk, now against her when that demand slackened. In ordinary conditions of trade and in the absence of disturbing causes it will lie midway between these limits, influences in both countries, not conscious but economic, operating to bring it to that point. Between 15 and 30 the

middle point is $22\frac{1}{2}$.¹ Let us say, therefore, just now, that for the produce of $22\frac{1}{2}$ American wheat-growers, the produce of 10 English clothmakers would usually exchange. Now in wheat-growing the produce of 15 Americans equals the produce of 10 Englishmen; therefore the produce of $22\frac{1}{2}$ Americans equals the produce of 15 Englishmen. Thus for the produce of 10 Englishmen's labour in cloth-making we get the equivalent of the produce of 15 Englishmen in wheat-growing. In other words, 10 Englishmen engaged as clothmakers become as good as 15 Englishmen engaged as wheat-growers, and the wheat-growers necessarily go to the wall. Again, 10 Englishmen engaged in clothmaking yield us indirectly as much wheat as 15 engaged in tilling the soil of this country—that is to say, the same labour bestowed upon cloth yields $1\frac{1}{2}$ bushels of wheat for every bushel that it yields when bestowed upon our own land. Suppose that before the importation of American wheat the price of wheat was six shillings per bushel; the price will now be four shillings per bushel, for the reason that the labour that formerly produced a bushel now produces a bushel and a half.

The foregoing, though not, as we shall see later on, theoretically accurate, abundantly explains how foreign produce undersells our own in our own

¹ Regard being had to the difference in the productive efficiency of both countries, this is not the middle point. At present, not having considered the subject of money, we cannot give our speculations the precision and definiteness we should wish.

markets. Let us now examine the operation of the exchange of cloth and wheat, in the conditions assumed, from the American standpoint. Suppose the Americans manufactured their own cloth, just as we grew wheat where it is not now grown, and that a trade in cloth opens up in this country, 10 English clothmakers being equal to 30 clothmakers in America and 10 English wheat-growers being equal to 15 wheat-growers in America. The equivalent of this relationship looked at from the other side is:—30 American clothmakers equals 10 English clothmakers, and 30 American wheat-growers equals 20 English wheat-growers. While America is making her own cloth, the produce of 30 American wheat-growers is naturally exchanged for the produce of 30 American clothmakers. A trade in cloth opens up with England. What happens? For the wheat produced by 30 Americans, America will not take less than the cloth produced by 10 Englishmen, because 30 Americans can themselves produce this much cloth; nor will she get more cloth than the produce of 20 Englishmen, because 20 Englishmen can themselves grow as much wheat as 30 Americans. The wheat produced by 30 Americans, therefore, will bring back the cloth produced by between 10 and 20 Englishmen. Say that it is the cloth produced by 15 Englishmen; then 30 American wheat-growers by purchasing their cloth from England will receive for their produce, not the equivalent of 30 American clothmakers' produce

as before, but the equivalent of 45 American cloth-makers' produce, which equals 15 English cloth-makers' produce. Thus, for the labour that the American wheat-grower formerly gave for one piece of cloth, he will now receive a piece and a half. Of course, the American cloth-factories will have to be shut up, just as English farms have had to be abandoned. Both countries, however, now receive their supplies of wheat and cloth at a greatly reduced expenditure of labour. Foreign commerce thus resembles a labour-saving machine, and just as labour-saving machinery leads to lower prices, so does the playing off of the advantages of one country against another. It is singular that while many people are constantly condemning foreign trade for robbing us of labour, they never think of condemning machinery.

In the foregoing cases of exchange between America and England we have shown that for the produce of 10 English clothmakers the return in wheat from America could be the produce of not more than 30 Americans, because 30 Americans can make as much cloth as 10 Englishmen; and not less than 15 Americans, because 10 Englishmen can grow this amount of wheat direct; and we said that the rate of exchange in ordinary conditions of trade would be at a point midway between these limits. That point we took at $22\frac{1}{2}$, the middle position between 15 and 30. England thus received for the produce of her 10 clothmakers the produce of $22\frac{1}{2}$ Americans, the difference be-

tween the produce of 15 and $22\frac{1}{2}$ American wheat-growers being her gain. She makes, in fact, by the transaction a clear gain of $7\frac{1}{2}$ Americans' produce, or 5 English wheat-growers' produce. Similarly, America makes a clear gain of $7\frac{1}{2}$ Americans' produce. There is a saving to both countries combined of the equivalent of 15 Americans' labour— $7\frac{1}{2}$ to England and $7\frac{1}{2}$ to America. This was sufficiently near the theoretical rate of exchange for our purpose; it is, however, not the point of stable equilibrium. America would be enjoying a gain of $7\frac{1}{2}$ of her citizens' labour, while England would be enjoying a gain of only 5 of her citizens' labour, and the labour of an English citizen is as much to England as the labour of an American citizen is to America. Therefore England would require to save as much, to be on all fours with America, of her own citizens' labour as America does of hers. The producing power of an English wheat-grower being, then, to the producing power of an American wheat-grower as 3 is to 2—10 Englishmen growing as much as 15 Americans—and the producing power of an English clothmaker to the producing power of an American clothmaker as 3 is to 1, the productive efficiency of England to the productive efficiency of America would be in the inverse ratio of 6 to 3 or 2 to 1, and the gain would be divided in that ratio. The total gain is the produce of 15 Americans, and this, divided in the ratio of 2 to 1, would give 10 to England and 5 to America. The produce, therefore, of 10 English

clothmakers would, in normal states of the market, exchange for the produce of 15 + 10 or 25 American wheat-growers. By growing wheat and sending it to England 25 Americans would get as much cloth as 30 of them engaged in making cloth direct; they would gain the labour of 5 Americans. By making cloth and sending it to America 10 Englishmen would get as much wheat as 25 Americans produced, or $16\frac{2}{3}$ Englishmen engaged in growing wheat; they would gain the labour of $6\frac{2}{3}$ Englishmen.

Looking at the operation of this exchange from the American standpoint, we have a similar correction, also in our favour, to make. From the American view the produce of 30 American clothmakers equals the produce of 30 American wheat-growers. Therefore the conditions assumed are stated thus:—30 American clothmakers equal 10 English clothmakers, and 30 American wheat-growers equal 20 English wheat-growers. The produce of 30 American wheat-growers sent to England will bring back not less than the produce of 10 English clothmakers, otherwise the 30 Americans would make their own cloth, and not more than the produce of 20 English clothmakers, otherwise the 20 Englishmen might then just as well grow their own wheat. The produce of between 10 and 20 English clothmakers, then, is what America would get for 30 of her citizens' wheat. We fixed, for convenience, the point of stable equilibrium at 15 clothmakers' produce for

30 Americans' wheat. This, however, is not quite correct, as in the preceding case. By such an exchange America would make a clear gain of 5 English clothmakers' labour, or 15 of her own people's labour, while England gains the produce of 5 English wheat-growers, or the equivalent of the produce of $7\frac{1}{2}$ American wheat-growers. Receiving the wheat of 30 Americans, the equivalent of the wheat of 20 Englishmen, for 15 men's cloth, England saves labour, is a gainer, to the extent of one-fourth; receiving the cloth of 15 Englishmen, the equivalent of the cloth of 45 Americans, for 30 men's wheat, America saves labour, is a gainer, to the extent of one-third. The machine of international exchange is saving to America 15 of her citizens' labour, but to England only 5 of hers, or the equivalent of $7\frac{1}{2}$ Americans. Inasmuch, then, as the productive efficiency of America is to the productive efficiency of England in the ratio of 1 to 2, the gain in the exchange of cloth for wheat must be divided between the two countries in that ratio—one part to America and two to England. That gain is the difference between the produce of 10 and 20 English clothmakers, and this, divided in the ratio indicated, gives $3\frac{1}{3}$ to America and $6\frac{2}{3}$ to England. In other words, the wheat produced by 30 Americans would normally exchange for the cloth produced by $13\frac{1}{3}$ Englishmen. England would thus, in exchange for the produce of $13\frac{1}{3}$ clothmakers, receive the produce of 30 American wheat-growers, the equivalent of 20

English wheat-growers, and so save the labour of $7\frac{1}{2}$ men; while America, for 30 men's wheat, would receive the equivalent of $36\frac{1}{3}$ of her men's labour in America, and so save also the labour of $7\frac{1}{2}$ men. So far, then, from the cheapness of foreign produce being an indication of low wages in foreign countries, or special advantages in production, it is rather an indication of advantages enjoyed by ourselves, for the price of that foreign produce is dependent on what we give for it, and not by the difficulty or facility the foreigner may experience in producing it.

Enough has been advanced to explode the fallacy that because home produce is undersold in the home market by foreign produce it therefore follows that that foreign produce is more cheaply produced. We have taken the simplest form of an exchange between two countries—viz., a direct trade limited to two classes of commodities, and we have shown that the country enjoying all the advantages of production may yet be undersold in the commodity in the production of which its advantage is the less. Here it may not be unprofitable to comment upon a platform statement made by a recent prime minister.¹

“Free trade,” he said, “has been a most admirable and in the main successful policy, but you must take it with its disadvantages, and one of its disadvantages is that the less fertile districts in

¹ The late Marquis of Salisbury at Exeter.

this country will no longer grow corn to profit. Nowhere in the world will you find any region in the fifty-second degree of latitude that grows corn to profit without protection. But it is absurd to imagine that you can correct that defect without abandoning that great policy to which you are all attached."

So far as this statement implies that our abandoned fields are abandoned because protection has been withdrawn, may be perfectly true. The further statement, however, that "nowhere in the world will you find any region in the fifty-second degree of latitude that grows corn to profit without protection" requires qualifying. Its meaning is that the return compared with the labour in such regions is so much smaller than the return in more fertile regions that the corn of the latter, unless an adverse duty be imposed upon it, easily undersells the other. The reader who has followed the preceding explanation of the causes regulating international exchange will see clearly with what limitations this statement must be taken. If a country in the fifty-second degree of latitude—in other words, a country where the conditions of climate and soil are less favourable to the production of grain than the conditions prevailing in lower latitudes—if such a country have other industries in which its advantages are relatively greater, or, perhaps rather, its disadvantages relatively less, compared with the advantages and disadvantages obtaining in the countries it may be in commercial

relations with, then in that country the profitable growing of corn without protection will be impossible. If its disadvantages, compared with these other countries, in growing grain be six say, and its disadvantages in some other industry be only five, then this other industry will render the profitable growing of grain impossible, inasmuch as the people of the disadvantaged country will get more grain in return from a given amount of exertion by plying this other industry than from the same amount of exertion upon the soil. The growing of grain in the high-latitude country will be unprofitable—not because of the disadvantages it labours under, but because between its advantages as a grain-growing country and the advantages of other countries in the same respect the difference in favour of these other countries is greater than the difference between the advantages of the one and the other in respect of some other industry or industries. To return for a moment to the cases supposed already: we saw that England, though enjoying advantages over America in wheat-growing, would not undersell America in wheat because the difference between America and England as wheat-producers was less than the difference between them as cloth producers. If a country in the fifty-second degree of latitude, or for that matter in a higher latitude, had industries or possibilities of industries A, B, and C, and its advantages in these industries over other countries were minus quantities, actually dis-

advantages, viz., -6 , -9 , and -12 , while in point of grain-growing its advantages were -3 , then grain, if it could be grown at all, would be grown to profit in that country and *without protection*. How else could the people of that country employ their labour more profitably? The grain that more favoured countries sent to that country would have to be paid for, and how would it be paid for? If they engaged in industry A, after grain-growing, the least disadvantageous industry, twice the labour that produced a given quantity of grain in that country itself would be required to pay for the same quantity of foreign grain; in industry B three times that labour; and in industry C four times. Grain paid for at this rate could never, it must be evident, undersell the domestic produce.

CHAPTER XVI.

PROFITS OF INTERNATIONAL COMMERCE.

Different from De Quincey's "leavings of wages"—Quaint picture from Herodotus—Influences affecting early international exchanges—Insufficiency of labour to explain value—Basis of charge against free trade of lessening employment.

RICARDO, to whom political economy owes so much, was the first to show how the differences in the productivity of labour in different countries makes possible and profitable the exchange of commodities between nations. In the introduction to my *Political Economy Selections*,¹ the theory is developed in a somewhat different manner from the manner adopted in the preceding chapter, and for some perhaps in a better manner. Therefore is reference made to it here. We have spoken of the profitable nature of foreign trade. By this it is not implied that profits such as those enjoyed by employers of labour accrue from such trade. As far as my knowledge goes, the distinction be-

¹ "Expositions of the Fundamental Doctrines of Political Economy"; with an introduction by W. Bell Robertson (Scott Library). Published by Walter Scott Publishing Co.; 1s.

tween the profits of industry, "the leavings of wages," as we have seen them described by De Quincey, and the profits of foreign commerce has never been pointed out.

The quaint description given by Herodotus of the way the Carthaginians traded with the wild tribes of the West Coast of Africa affords a view of international commerce that is rather charming and worth repeating here. "When the Carthaginians arrive," he says, "they forthwith break cargo, and having disposed their wares in an orderly way along the beach, leave them, and returning on board their ships, raise a great smoke. The natives when they see the smoke come down to the shore, and laying out to view as much gold as they think equivalent to the worth of the wares, withdraw. The Carthaginians upon this come ashore and look. If they deem the gold sufficient, they take it and depart; but if it does not seem to them sufficient, they go aboard once more and wait patiently. Then the others draw near and add to their gold till the Carthaginians are content. Neither party deals unfairly by the other; for they themselves never touch the gold till it comes up to the worth of their goods, nor do the natives ever carry off the goods till the gold is taken away."

Now, what would influence these natives in determining the quantity of gold they would lay out as "equivalent to the worth of the wares"? Unquestionably their desire for the wares. If they

were indifferent as to whether they acquired the wares or not, they would thereby put a low value on them and lay out very little gold; if, on the other hand, their desire for the wares was keen, they would put a high value on them and lay out a correspondingly high quantity of gold. The keener their desire for the wares the greater the amount of gold would they offer for them. The same influence would play upon the Carthaginians—the more eager their desire for gold the higher value they would put upon it, the less would they be willing to take for their wares. When a man is pressed for money, he makes greater sacrifices to acquire it than when his circumstances are easy. These are undoubtedly the influences that at first determine how much of one class of commodity will be exchanged for another. When these Carthaginian traders returned home, if the results of their trading were found to be more than usually profitable, other traders would be attracted by the rich prizes of this commerce, and wares would be sent in such abundance that those wishing to dispose of them might have to compete amongst themselves for the favour of the natives' custom. The way they would do this would be by offering more for less. Thus one trader or group of traders would bid against another and so reduce the exchanging power of their wares until that particular commerce became no more profitable than other enterprises. The more difficult it was for them to dispose of their wares, the more labour the wares

would cost them, yet this increased labour would not show itself in enhanced exchange value, as it should do if labour were the cause of value.

Such exchanges, therefore, are not explainable with the view hitherto held that regards labour as the cause of value; they are, however, with the view contended for in our early chapters—viz., that the conditions of value are desire and possession: the greater the desire for an article and the more absolutely it is possessed, the greater will be its exchanging power. As to the profits of the Carthaginians, they would not accrue from labour as the profits we have had to consider do. They would be the reward, the prizes, of the labour and enterprise of the Carthaginians themselves, and the higher they were the sooner would they be subjected to influences that, taking one thing with another, would bring them on a level with other enterprises.

According to our supposititious case of America and England, the cloth and the wheat, and the 10, 20, and 30 men—in England 10 men, it may be remembered, made as much cloth as 30 Americans, and grew as much wheat as 15 Americans. That is to say, the productive efficiency of England was so much greater than the productive efficiency of America that with the same labour one Englishman turned out as much cloth as three Americans and grew as much wheat as two Americans. On one Englishman's cloth there would thus be expended only a third of the labour expended on one

American's cloth, and only a half of the labour expended on one American's wheat. If, therefore, the quantity of labour bestowed upon an object determined in *all* cases, as Ricardo maintained, its value, then one Englishman's cloth would exchange for one American's wheat, each being the result of the same quantity of labour. Suppose such to be the rate of exchange; then an American getting for his wheat an Englishman's cloth would thereby be getting three times the equivalent value of his wheat, the equivalent value of an American's wheat being one American's cloth, which is only a third of an Englishman's cloth. The value of wheat in America would thus be enhanced three times against the Americans themselves, for the wheat-growers would not be able to get one price from England and another from their own people. This could not endure, for it would mean that for every hour's labour they formerly devoted to the production of the commodities they formerly exchanged for wheat they would now have to devote three hours. This would be equivalent to the withdrawing of an improvement from the production of wheat, and, as we have seen how improvements lead to a reduction in the *rate* of wages, so the withdrawing of an improvement would lead to a rise in that rate and a corresponding diminution in the *rate* of profits with a diminished value to share in all industries except wheat-growing. This would not be conducive to activity in the industries, the value of whose

commodities had fallen, and production in them would slacken; while production in wheat-growing would quicken. This increasing the supply would bring the value of wheat down and raise, in comparison with it, the value of other products. Thus unequal exchanges even in foreign trade, as in home trade, cannot continue. Indeed, they adjust themselves more quickly in the former than in the latter; for in addition to the forces at work in America making for equality, similar forces would be at work in England making for the same end.

When a commodity is shipped from these shores, it involves the additional labour implied in its conveyance, and this additional labour appears in its final value. This additional labour thus creates a value, and this value is shared amongst seamen and other labourers as wages, and amongst shipowners and other carriers as profits. These wages and profits are of the same nature as the wages and profits considered in former chapters, and are subject to variations in the same way. I have elsewhere¹ supposed the productive efficiency of England in the matter of gold to be to the productive efficiency of America as 3 is to 1, and in the matter of wheat as 2 is to 1. Under these conditions England will exchange gold with America for wheat, and by procuring her wheat in this way instead of growing it herself will save one-sixth of the labour previously necessary to

¹ *Political Economy Selections.*

provide her supplies of wheat. Unless, therefore, her requirements for wheat increase, a sixth of the men engaged in wheat-growing will be thrown out of employment. Thus the charge levelled against free trade of lessening employment has a basis: just the same basis, in fact, as the charge against labour-saving machinery. If, then, we are to make increased labour our end and aim, and improve on the primal curse, our course is clear—viz., to abandon everything that enhances productive efficiency. To set forth the essential elements in foreign trade in the way that I should like is not possible without reference to money, on which there still remains a great deal for political economy to clear up, and the discussion of which I have, as already stated, had to hold over for a subsequent volume.

CHAPTER XVII.

A FEW GENERAL WORDS.

Property foundation of industry—Mill on its apportionment—Christian communism—Defeat of society's intention in instituting property—Mill on result of mechanical inventions—Difficulties in the way of altering present system not greater than difficulties in maintaining it.

WE have seen that society has rightly laid property as the foundation of industry. "If," says John Stuart Mill, "the institution of private property necessarily carried with it as a consequence that the produce of labour should be apportioned as we now see it, almost in an inverse ratio to the labour—the largest portions to those who have never worked at all, the next largest to those whose work is almost nominal, and so, in a descending scale, the remuneration dwindling as the work grows harder and more disagreeable, until the most fatiguing and exhausting bodily labour cannot count with certainty on being able to earn even the necessities of life; if this, or communism were the alternative, all the difficulties, great or small, of communism would be as dust in the balance." The difficulties of communism, as I understand it, were exem-

plified by the early Christians, who had all things in common, and who yet, though the world was against them, and to that extent united them in one common aim, and made them as one family, fell foul of one another in consequence of their communism. Besides, under a system of communism, perhaps a worse type than John Chinaman would be the best fitted to thrive.

Property being instituted for the encouragement of industry, it is not easy to see what evil effects can result from such an institution. Institutions are frequently diverted to serve other purposes than those they were designed to serve. In such cases it is not the institutions that should be attacked; efforts should rather be put forth to re-divert them to their proper purposes—if these purposes be good. Now, no one will deny that the encouragement of industry is a good and necessary purpose, and if the means society has adopted to secure that encouragement have resulted in property being apportioned, as Mill says, “almost in an inverse ratio” to the industry, then the design of society has not been carried out. Another mournful passage from Mill is worth quoting:—“Hitherto it is questionable if all the mechanical inventions yet made have lightened the day’s toil of any human being. They have enabled a greater population to live the same life of drudgery and imprisonment, and an increased number of manufacturers and others to make fortunes. They have increased the com-

forts of the middle classes. But they have not yet begun to effect those great changes in human destiny which it is in their nature and in their futurity to accomplish." It would be nearer the truth, I think, to say of improvements that they have enabled manufacturers and others to make bigger fortunes than were ever known, and have increased the happiness of no one.

Now we have seen how both these effects regretted by Mill—the apportionment of the produce of labour in almost an inverse ration to the labour, and the failure of mechanical inventions to lighten the day's toil of any human being—arise, viz., through reductions in the rate of wages proceeding from and according to the increased productivity of labour. The more the labourer produces, the smaller is the share of the produce of his labour allotted to him. The present and ultimate effects of such a system of rewarding productive labour we have shown to be so disastrous that society would be guilty of the greatest folly to entertain any further intention of retaining it. The difficulties of removing it and substituting another system in its place are great; and the greatest difficulty will be found to lie in the circumstance that there are more, and more highly paid, workers in the larger field of industry that the struggles of capital with capital have created. Thus, with every increase that a new system might yield to the labourers in the purely productive field, less will go in gross profits for

different capitals to struggle to get rid of, this struggle will become less keen, and the labourers in this unproductive field, as we have called it, will suffer. The same would happen through a diminished produce resulting from an enforced reduction of labour hours. With clear views, however, all these difficulties will vanish, and will seem as nothing compared with the difficulties society now experiences in keeping itself together.

However, it is not the function of science to say what under any given circumstances should be done. Its function ends in showing what effects flow from certain causes. We have taken the conditions under which industry is conducted, and have shown that the natural working out of these conditions is death.

APPENDIX.

THE following by William Bell Robertson was published in pamphlet form as far back as 1887. As it may prove helpful to some readers of this volume, and as the author desires its preservation, it is here reproduced:—

THE INDUSTRIAL PROBLEM.

I.—OVER-PRODUCTION.

By over-production is meant that there are more commodities produced than can be sold. The problem, therefore, in connection with over-production is, why can this surplus of commodities not be sold?

Many writers, among them John Stuart Mill, deny the possibility of a general over-supply. They maintain that, while there may be over-production as regards one or more kinds of commodities, there cannot be over-production in all kinds, so long as there is a human want unsatisfied. It is impossible, for instance, to have an over-supply of food so long as millions of our fellow-men are in need of the barest necessities of life. If there be any strength in an argument like this at all, it would

follow, or rather it is implied in such argument, that the mere need, the mere human desire, for any given commodity is sufficient to set the machinery in motion to produce it. Here is a man with an empty stomach and in need of a meal, this of itself is, on such grounds, sufficient to procure such meal; or here is another man with a bare back and in need of a coat, this is enough to procure him the coat.

Now it must be plain to every one, that those who have nothing but empty stomachs and bare backs cannot influence in the slightest degree the quantity of food that may be produced, or the quantity of coats that may be made. Is any farmer going to plough and sow a field for men that come to him with nothing except empty stomachs; or is any tailor going to make coats for men that have nothing to show but bare backs?

Here, however, from one of the Cobden Club publications, are facts which show clearly enough that the quantity of food produced has nothing to do with the number of people that are in need of food, that in fact the more food there is, the greater will be the number of people in want.

In this pamphlet¹ we have the paradoxical statement that the present depression, which set in in 1884, "was the natural and necessary result of the improved and fairly good harvest with which this country was favoured in that year." This statement the author (Augustus Mongredien) proves by figures taken from the Board of Trade returns. Thus, in 1884, our imports and exports together were twenty-five million odd pounds sterling less than the average of the four previous years. This

¹ *Trade Depression: Recent and Present.*

diminution is accounted for by the fact that in the same year "our foreign supplies of cereals fell short of the previous years to the extent of $15\frac{1}{2}$ millions of pounds sterling; and to that extent, therefore, we may infer that the home harvests of 1884 had exceeded in yield the harvests of the previous few years."

The effect of this extra harvest was, according to our authority, to lessen directly our importations of cereals; we had the cereals at home, and consequently did not require to buy them from foreign countries. Indirectly our exports were also lessened. Our whole foreign trade, exports and imports together, by this good harvest, Mr. Mongredien computes, was reduced by 43 millions of pounds sterling; for he considers the effects of this good harvest as extending into 1885. After making allowances, he concludes that this 43 millions worth of goods represents from 2,500 to 3000 cargoes; by so many cargoes, therefore, would our shipowners' trade be lessened; they would have that number of cargoes the less to carry. This sudden diminution in their business threw idle ships upon their hands; it then affected the shipbuilders, for the shipowners, having more ships than they could find employment for, were of course not likely to order more. "As a natural consequence," Mr. Mongredien proceeds, "the diminished construction of ships (in which the consumption of iron enters so largely) occasioned a proportionate falling off in the demand for that metal, so that (other causes assisting) the wave of depression extended to the iron trade, and then spread to the closely connected coal-producing industries and others, which they influence more or less directly. Moreover, it would necessarily follow from there being between 2,500 and 3000 fewer cargoes to load and

unload at our chief ports—London, Liverpool, Glasgow, etc.—that there would be less demand for persons living by that kind of labour, so that a number of dock labourers of all sorts would be thrown out of work. . . . On examination we find that the industries which really did most suffer from the recent and present depression are precisely those which we have enumerated above.”

Such, then, is the account of trade depression given by the Cobden Club. There can be no questioning its accuracy¹ so far as it goes; it leaves us helpless, however—in fact, it paralyzes us. The farmer always endeavours to make his labour as productive as possible—the better his crops the more he rejoices, and the more does the nation rejoice with him. How tempered must this joy be though, if its cause is also to be the means of throwing thousands of hard working-men out of work, and depriving them of the necessaries of life! The bounties of nature would thus seem to benefit no one, for the more bountiful she is, the less work is there for people to do, and in consequence the less able are they to get at these bounties.

Besides the foregoing facts, we have others showing that people may and do suffer want in the midst of plenty. The stocks of wheat held in Liverpool at the end of 1885 were 3,578,938 centals, while at the end of 1884 there were only 1,869,146 centals. Now, the winter 1885-86 was marked by great distress throughout the country; and yet we were more abundantly supplied in food-stuffs than we had ever been, for the figures taken at other ports besides Liverpool showed the same increase. The argument, therefore, that a general over-

¹ Accurate only if the extra harvest be looked upon as in the nature of a gift, and only in so far as it may have been a gift.

production is impossible while there is human want can no longer be maintained.

It now remains for us to explain how over-production comes about, and why it is, as already remarked, that the more abundant commodities are, the greater will be the number of people in want. For this purpose it will be necessary for us to say a word upon the system of remunerating labour.

The remuneration of every kind of labour is fixed in the same way—viz., by competition. This competition may be amongst the employers, or amongst the employed. When there is a great deal of work to be done, when everybody is in employment, and there is still a demand for more men, these additional men must be drawn from other masters; and to be so drawn, inducements in the shape of higher wages must be held out to them. Under circumstances like these wages tend to rise.

In a state of society, for example, such as that presented by a newly-settled country where human labour is little aided by machinery, the labouring classes are, it is well known, highly paid. The reason of this is that labourers are few compared with the amount of work that is offered. For these few labourers employers compete amongst themselves—each one holding out better inducements than the other. Take America some years ago: wages were high then because there were more labourers wanted than could be got. Not only were wages high, but masters were very civil to their servants, as is evidenced by the fact that servants were euphemistically called “helps,” allowed to sit at the same table with their employers, and treated in every way as equals. This courtesy on the part of employers is rapidly dis-

appearing with the cause that gave rise to it; for labourers are no longer scarce in America, and if a servant dislikes to be called a servant, he can go about his business—there are plenty others willing to take his place. It was the scarcity of labour that gave rise to the appearance of a system of equality in America, which many attributed to the Republican form of government. The form of government had nothing whatever to do with it. So much, then, for the fixing of wages when labour is scarce.

When labour is plentiful, when there are a great many seeking work, the labourers compete with one another for such employment as there is to be had. This, of course, brings wages down. It is useless for a man to offer his services for five shillings a day, when there are plenty others willing to do the same thing for two shillings and sixpence. Thus one man underbids another, and the one whose necessities are the greatest is the one that will accept the lowest terms. It is this competition amongst the working-classes that has brought wages down to starvation point in the simpler kinds of work. Starving men and women compete with starving men and women, and are glad to get the opportunity of working long hours every day for a few coppers; because these are better than nothing at all.

The foregoing, then, is the method upon which wages are fixed, and it operates in every department of human activity. The reason that a navvy is worse paid than a mechanic is simply because there are more men able to do navvy's work than mechanic's work, and the competition is consequently keener amongst the navvies than amongst the mechanics. We might go through all the different kinds of labour, and we should find that wages

in each kind are high or low according to the relation between the number of men seeking employment, and the quantity of employment to be got. The law of wages, then, may be stated in these words: Wages vary according to the relation between the quantity of labour offered and the quantity of labour required.

If people had borne this in mind, we should not have had so many expressions of surprise at the fact that our working population has made so little, if, indeed, any progress. We often hear our great wealth spoken of, the wonderful strides we have made, and yet only a few seem, and we are told this with astonishment, to have participated in our increased power. All this is quite in accordance with what Political Economy has predicted, as is shown by the following passage from Ricardo:—"If the shoes and clothing of the labourer could, by improvements in machinery, be produced by one-fourth of the labour now necessary to their production, they would probably fall 75 per cent.; but so far is it from being true, that the labourer would thereby be enabled permanently to consume four coats, or four pairs of shoes, instead of one, that his wages would in no long time be adjusted by the effects of competition, and the stimulus to population, to the new value of the necessaries on which they were expended. If these improvements extended to all the objects of the labourers' consumption, we should find him, probably at the end of a very few years, in possession of only a small, if any, addition to his enjoyments." This was written at the beginning of the present century. It amounts to saying, "It makes no difference how much you improve your methods of production, the position of the labourer will not be one whit the better; he will not enjoy any more of the

necessaries and conveniences of life, his command over these necessaries and conveniences will always be just enough to enable him to subsist and to raise up more labourers." This is perfectly true. It was at the beginning of the century, as we have just remarked, that Ricardo wrote the passage. Since then, we have introduced improvements into every kind of work, and the result is as predicted. The labourers are poor and ignorant; they still toil unceasingly; and they think themselves lucky if they can get the opportunity of undergoing this toil.

We shall endeavour to give more pointedly the reason of this anomalous position, the reason why in the midst of plenty people starve, why, in fact, the more plentiful things are the less able are we to get at them. As Carlyle says:—"We have more riches than any nation ever had before; we have less good of them than any nation ever had before. Our successful industry is hitherto unsuccessful; a strange success if we stop here! In the midst of plethoric plenty, the people perish; with gold walls and full barns, no man feels himself safe or satisfied. Workers, master-workers, unworkers, all men come to a pause; stand fixed, and cannot farther. Have we actually got enchanted then; accursed by some God!"

Now let us offer a simple illustration of some of the economic effects of such a system of remunerating labour. Suppose that the only thing we did in this country was to make cotton—a single industry is supposed because it simplifies matters; suppose, moreover, that we could make enough cotton to supply our own requirements for that article, and had enough to send to other countries for our food and whatever else we needed. At

the beginning of the century we shall further suppose that everybody is employed, and there is nobody out of work, and that wages are good enough to keep them comfortably and respectably. By - and - by improved methods of production and transit are introduced, and to such an extent that one man can do as much as five formerly did. As these improvements are applied four men out of every five would be thrown out of work ; wages, moreover, would be reduced, for rather than be thrown out of work the men would offer their services at a lower rate, and competition amongst the workers would become keener. Here, then, with an increasing power of production, we would have a reduced number of consumers—these two getting a smaller share of the produce of their labour. What under such circumstances can be more natural than a glut, than over-production ?

With such a fair start then at the beginning of the century, we should be as bad to-day as we now actually are. The men that had been thrown out of work with every successive improvement, and their families, would have to live somehow ; many of them would become thieves and vagrants, many of them paupers. All this too would come about independently of the strong tendency of population to increase. When we take this into account we can only wonder, not that evils are so rampant in society, but that society has continued so long upon such a basis.

The hard lot of man, then, would appear not to be due to the niggardliness of nature as we have been taught ; to have no connection with the curse that doomed him to eat his bread "by the sweat of his brow." It is due to a mere convention, the shadowy nature of which will appear clearly enough later on.

The real significance of over-production is to reduce our present industrial system to an absurdity. It is ridiculous for people to have to starve because they have grown too much food, to go unclad because they have made too many clothes, and unhoused because they have built too many houses. There would be work for all the unemployed to-morrow if the half of London were destroyed; there is nothing like calamities for trade.

By bringing about over-production, then, the working population has proved our present industrial system to be false; and how very unequal that system is we see every day. Here in a few words is one of its most glaring inequalities. The governing class has said to the working class, you go to work under this system—your share of the result of your labour will be fixed in this wise, our share of the result of *your* labour will be fixed in this other wise. So the working population said all right, took up their hammers, and went to work. They were told to work hard and ever harder, and overseers were put to see that they did work hard. But what is this that has come upon us now? The governing class exclaim, “Stop! you have produced too much; you must lay down your hammers until we require you again; we have quite enough here of everything to suit us—indeed more than enough.”

II.—OVER-POPULATION.

The view that attributes our social disorders to the fact that we are over-populated, is perhaps more widely accepted than any other. The reason for this is that it is an easily understood view. What can be more clear than that, if there be a greater number of people in a

community than can get employment, and if *the livelihood of these people depend upon their getting employment*, the privation of those that cannot get employment is due to the fact that there is no room for them in such community? At one time it was universally believed that the sun moved round the earth; for what could be more clear than that, *if Rome continued to remain in the same spot* and the sun every day passed over it, the sun must so move? Rome, however, did not continue to remain in the same spot; hence what was so very clear was all wrong. Similarly the livelihood of man does not depend upon his getting employment, it depends upon his getting the means of livelihood; hence what is so very clear as to our being over-populated may also be all wrong. This is a point, however, that remains for us to consider.

The reader has of course heard of Malthus and his celebrated essay on "Population." In that essay it was shown that in every community the number of members is limited by the means of subsistence at their command. Increase the subsistence and an increased population will result; diminish the subsistence, and there follows a diminished population. "This is incontrovertibly true," he says. "Through the animal and vegetable kingdoms, Nature has scattered the seeds of life abroad with the most profuse and liberal hand; but has been comparatively sparing in the room and the nourishment necessary to rear them. The germs of existence contained in this earth, if they could freely develop themselves, would fill millions of worlds in a few thousand years. Necessity, that imperious, all-pervading law of nature, restrains them within the prescribed bounds. The race of plants and the race of animals

shrink under this great restrictive law; and man cannot by any efforts of reason escape from it." Such was the truth that Malthus laboured to enforce—a truth that one would have thought so self-evident as not to need enforcing. His essay, however, is really nothing more than a demonstration of the extraordinary strength of the principle of self-conservation.

Malthusians consider themselves followers of Malthus on the ground that they accept and seek to promulgate his views on population. Let us consider for a moment their position.

This country, they say, is over-populated. Why? Because there are more people in it wanting work than can get work; many are consequently compelled to idleness, these not having any other way of procuring the necessities of life except by labour, are consequently either thrown upon the generosity of their friends or become recipients of public relief, or criminals. In this simple way does the Malthusian explain all our social calamities, and, as the only remedy, he suggests that people must be more prudent, must regulate the number of children they bring into the world—in a word, the population of a country must correspond to the work to be done in that country, the more work the greater the population may be, the less work the less the population.

The reader will now see that there is a difference between the view of Malthus and the view of the Malthusian; the former set up subsistence as the limit to population, the latter sets up employment or work to be done—the more work there is to be done, as already remarked, the more room is there for an increased population.

Let us now follow the Malthusian position to its logical issue. Why do we call one method of production or transit an improvement upon another? Simply because it involves less labour, simply because it abridges labour, and that is the reason that we adopt the improved method. Now, with every abridgment in the labour of making and transferring things there becomes relatively less and less labour to do, and consequently, the ideal population of the Malthusian becomes less and less. In this way, if the Malthusian position had free play, the most ingenious race, the race that is most apt to discover quicker and quicker methods of doing things, would thereby be always narrowing the limits of its population. It would consequently be the first to disappear from the face of the earth; the fittest to survive would be the most stupid, the unkindest countries would be the most densely populated; in a word, nature and man would be at daggers drawn.

We do not say that such is not the case to-day—in fact, *it is the case*. Nature and man are at war, and all through one little fallacy in our economic system. Meanwhile, as to our statement that it is the case that nature and man are at daggers drawn, that the stupidest, or least adaptive, are fittest to survive, we have practical proof of this in recent legislative action in America and Australia. Chinese labour was forbidden the markets of these countries, because the Chinaman can underbid the Anglo-Saxon. Laws are made to protect the weak against the strong; the strong man in the case just noticed is the Chinaman; the weak, the Anglo-Saxon, who requires special protection. The fittest will always survive—that statement points to a law that we cannot alter. What we can alter, however, and what we must

alter if we would continue our race—if, indeed, we wish to make any further progress at all—are the conditions that make the Chinaman and those that approach him in character the superior.

Suppose again that the Malthusian doctrines were practically adopted and most rigidly carried out. Suppose that to-day our population was so regulated that there was not an idle man in the kingdom, not a pauper, not even a criminal. Every one is fed, and clad, and legitimately employed. There remains, however, in this happy state of affairs just one thing that we have got to-day, and that is our present industrial system.

Let us now take a step forward from this ideal point to a time when improved methods of production and transit have been introduced. Commodities can be manufactured with less labour, goods can be conveyed to their destinations with less labour—in a word, we shall suppose, as is really what happens, that in nearly every department of human effort improvements have been introduced. They are called improvements, because they lessen labour. What, then, would be the economic effect of a year's progress upon the ideal state of affairs that we have just been imagining? The first effect would be that to make the same quantity of manufactures, less workmen would be required; masters would consequently have to discharge some of their men. Now, what becomes of these men? Well, they do not want to be discharged, so they offer their services at a lower wage, competition amongst the workmen for such employment as there is to be had becomes keener, wages consequently become lower, for masters are obliged to follow the market rate of wages. No matter, however, whether wages be high or low, the masters

cannot employ as many men as they did before the introduction of the supposed improvements. What, then, becomes of the surplus? Why, enforced idleness, and with it loss of independence: then, as we go on improving, we recruit the ranks of the enforced idlers—they are enforced idlers at first—and out of them springs the necessity for those vigorous institutions—police-courts, prisons, and workhouses.

The Malthusian would thus have to resort periodically to some drastic measures to restore the balance between employment and population.

One word more in connection with improvements. We have seen their effect to be the lessening the number of those employed and the lowering of wages. Now here comes *the* economic effect *par excellence*. Fewer men in employment at reduced wages means a diminution in the power of the community to consume. Improved methods of production, etc., are ever increasing our power over nature, our power to produce; they are at the same time, by rendering competition amongst labourers keener and keener, diminishing our power to consume. This is going on all over the world, is operating upon the industrial classes in every civilised community, is the noose with which we are strangling ourselves, is, in the words of Carlyle, “the accursed invisible nightmare that is crushing out the life of us and ours.”

Can any one wonder that the markets of the world are glutted? The supply pipes are ever widening, the waste pipes ever contracting: of course there is a running over; of course, as Carlyle says, our wealth “is an enchanted wealth.”

III.—THE REMEDY.

The main evils that result from our present economic system have appeared from our observations on over-production and over-population. Over-production and over-population are themselves, under existing arrangements, sources of great suffering. Both, curiously enough too, exist together. This in itself shows that there must be some contradictory forces in operation in the industrial world; for is it not ridiculous that we should have too large a population while we are complaining of having too great an abundance of useful things? How are we to tell when a population is great or small? By a reference to the limit of population. Now, the limit to population is professed to be the means of subsistence. But our population is so far from pressing upon this limit that we are complaining of a too-abundant supply of the means of subsistence. Here then is an absurdity; and we are landed in this absurdity because the limit to population is not as supposed, the means of subsistence, but the employment offered in a community. By referring to this limit, the employment offered in a community, we find that our population is too great; for there are many more than can get employment, and by so many is our population excessive. Now, it remains for us to ask ourselves whether we are to maintain this limiting principle, or whether it would not be better for us to adopt another.

We have already shown that it is impossible to have population regulated by the employment to be had in a community, because such employment is always vary

ing, is by the introduction of improved methods of production always becoming less and less. Now, here is a fertile source of evil; for with every contraction of the field of employment some are thrust out of that field, these keep on recruiting the everlasting army of paupers and criminals, and form the dregs of society. They are forced into these positions, and no subsequent action on the part of society is of any avail in recalling them. There is the field of labour, it is full; place another man in it, it is more than full; the consequence is that either man or some one else must go out.

Besides paupers and criminals, and what are called the dregs of society, such a limiting principle to population leads in its working out to deterioration in workmanship, and indeed in human character. As already shown, improvements by lessening the demand for labour lead to a keener competition amongst labourers, and thereby lead to a contraction of the labourers' pockets; to meet this diminished consuming power commodities have to be made as cheaply as possible; there is no effective demand for good materials, consequently jerry-work is in the ascendant. As to the deterioration in human character that is continually going on, we have already shown what class is best fitted to survive. It is the class that can live on least, whose manner of living approaches more and more closely to the beasts. Thus is our civilisation being undermined, and thus are all our attempts at social progress frustrated. It is apparent, then, that some other limit to population must be substituted for the one that prevails to-day, and it is such other limit that we now proceed to unfold.

This other limit is the means of subsistence—the very limit that is supposed to be in operation, but which we

have shown to be not the case. Now, in the first place, with such a limit as the means of subsistence overpopulation would be impossible; for no community could ever consist of more members than it could support. This, of course, is evident, and requires no further elucidation.

In speaking of the limiting principle that is in operation now—viz., employment, we objected to it that it was always varying. Might not the means of subsistence vary too? If, moreover, at any time, with the means of subsistence as the limit to population there should become less subsistence than will suffice to maintain the whole population, who is to have such subsistence and who is to go without? Of course the means of subsistence might vary; the difficulties that might arise from such a possibility will, however, disappear after we have shown how this limit is to be practically adopted, and this brings us to inquire into the nature of property.

What is property? Why does society have such a thing as property at all? Why should it put itself about to ensure any man in the possession of whatever goods he may have got hold of? The only reason that can be given for this, and a very good one it is, is to encourage industry. For instance, I make chairs; suppose that as soon as I have done so a stronger man than myself comes along and takes them from me; I should most certainly come to the conclusion to make no more chairs, because I should derive no benefit from pursuing such a course, and should at once betake myself to procuring whatever I wanted by stealing also. Of course, there would very soon be nothing to steal, and society would at once collapse. To prevent this collapse, however, and to preserve its own life, society steps forward

and says that these chairs are mine, that they are mine because I made them ; the reason that such a course of conduct on the part of society preserves its life is because I am thereby encouraged to go on making more chairs, and every other maker of everything else is encouraged in the same way. Thus are the members of the community kept supplied with such commodities as are required.

The institution of private property, then, is maintained by society for the sake of encouraging industry, and for the sake of nothing else, except what is implied in the encouragement of industry—viz., the continuance of society. Such, then, is the reason why we have such a thing as property. How far does society practically adhere to this, the recognised theory of property? It has departed from it as far as it can. To see that this is so, the merest glance round is sufficient ; for those that have made everything have got nothing. As soon as an article has been made it is by some magical operation—an operation so subtle that it is scarce perceptible—snatched from the maker, and becomes the property of some one else. Speaking in this connection, John Stuart Mill says that he would prefer communism itself to such an unholy state of affairs. “If,” he says, “the institution of private property necessarily carried with it as a consequence that the produce of labour should be apportioned as we now see it, almost in an adverse ratio to the labour—the largest portions to those who have never worked at all, the next largest to those whose work is almost nominal, and so, in a descending scale, the remuneration dwindling as the work grows harder and more disagreeable, until the most fatiguing and exhausting bodily labour cannot count with certainty on

being able to earn even the necessities of life : if this, or communism were the alternative, all the difficulties, great or small, of communism would be but as dust in the balance." Surely it cannot be impossible for society to carry out so simple a theory—a theory that it recognises and accounts as true—as to see that people have the produce of their own labour, that industry is rewarded and encouraged.

The greatest inconsistency on the part of society as regards property is the maintenance of property in land. How can that encourage industry? It is only the produce of the land, the result of labour, that can be called property. By ensuring to this individual or to that individual this or that tract of land, what industry does society encourage? It encourages the industry of the idle—a terrible industry, a scourge: it reduces thousands of its members to the position of flunkies, ministers to idleness.

As we have already said, the view that property is maintained in a community for the purpose of encouraging industry and for no other purpose, is not new, neither is it denied. All that it implies is that men are to be rewarded according to their industry—this, no one can for a moment deny, is far from being practically carried out; in fact, we practically carry out the very opposite doctrine.

Here then are two principles—viz., that population is limited by subsistence, and that property is instituted to encourage industry—that are universally accepted and argued upon, as if they were carried into practice; we have shown that they are not carried into practice. Moreover, no one seeks to deny them. Why should they not be adopted by society? It is the adoption of

these two principles, and of these two principles alone that is recommended here. Indeed, by seeing that the theory of property alone is applied, the limiting principle to population will be implicitly applied too.

Such, and such alone, is the work that lies before reformers now.

THE END.

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